

ISOBEL FINANCE NO. 1 PLC

(a public limited company incorporated in England and Wales with company registration number 7934515)
 £230,000,000 Class A Commercial Asset-Backed Floating Rate Notes due 2038
 £60,000,000 Class B Commercial Asset-Backed Floating Rate Notes due 2038
 £173,219,000 Class C Commercial Asset-Backed Floating Rate Notes due 2038

Class	Initial Principal Amount	Reference Interest Rate	Margin	Note Payment Dates	Issue Price	Expected Ratings (S&P)	Note Expected Maturity Date ¹	Note Final Maturity Date
A	£230,000,000	3-month LIBOR	2.55%	17 April 17 July 17 October 17 January	100%	AAA (sf)	17 January 2016	17 October 2038
B	£60,000,000	3-month LIBOR	4.25%	17 April 17 July 17 October 17 January	100%	AA (sf)	17 January 2016	17 October 2038
C	£173,219,000	3-month LIBOR	4.50%	17 April 17 July 17 October 17 January	100%	BBB+ (sf)	17 January 2016	17 October 2038

Closing Date	The Issuer expects to issue the Notes in the classes set out above on 3 October 2012 (the " Closing Date ").
Underlying Assets	The Issuer will make payments on the Notes from, <i>inter alia</i> , payments of principal and interest received with respect to a £553,272,242 loan originally entered into by, amongst others, The Royal Bank of Scotland plc (the " Initial Senior Lender ") and Isobel AssetCo Limited (the " Borrower ") which will be purchased by the Issuer on the Closing Date and secured primarily by the fixed and floating security granted by the Borrower and the Guarantors over their property, undertaking and assets in favour of the Borrower Security Trustee. The assets of the Borrower and the Guarantors include their respective interests in a portfolio of thirty-seven (37) ² commercial property loans (the " Property Loans ") secured on a variety of properties (the " Asset Level Properties ") which were originally acquired by the Borrower from The Royal Bank of Scotland plc (" RBS "), National Westminster Bank plc (" NatWest ") and The Royal Bank of Scotland International Limited (" RBSI ") (together, the " Asset Sellers "). See the section of this Prospectus entitled " <i>Overview of the Transaction</i> " for further information.
Credit Enhancement	Subordination of junior ranking Notes. See Condition 3 (<i>Status and Ranking of the Notes</i>) for more detail. Issuer General Reserve Account to be funded by excess spread in the Issuer Pre-Enforcement Revenue Priority of Payments up to the Issuer General Reserve Required Amount and shall form part of the Available Revenue Funds. See the Issuer Payment Priorities for further information.
Liquidity Support	Liquidity Facility in the amount of £23,000,000 on the Closing Date will be used to support payment of interest on all Classes of Notes and any items to be paid in priority thereto. See section entitled " <i>Summary of the Issuer Transaction Documents – Liquidity Facility Agreement</i> " for more detail.
Redemption Provisions	Information on any optional and mandatory redemption of the Notes is set out in Condition 7 (<i>Redemption and Cancellation</i>) of the Terms and Conditions of the Notes.
WAL	See the section entitled " <i>Estimated Weighted Average Lives of the Notes and Assumptions</i> " for a description of the assumptions made in calculating the estimated weighted average life of the Notes. See also footnote 1 below on the Expected Maturity Date.
Credit Rating Agency	Standard & Poor's Credit Market Services Europe Limited (" S&P "). In this Prospectus S&P is referred to as the " Rating Agency ". The Rating Agency is established in the European Union and registered in accordance with the CRA Regulation.
Credit Ratings	Ratings are expected to be assigned to the Notes as set out above on or before the Closing Date. The ratings assigned to each Class of Notes by the Rating Agency address the likelihood of (a) full and timely payment of interest due to the Noteholders on each Note Payment Date and (b) full and ultimate payment of principal on the Notes on or before the Final Maturity Date. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the Rating Agency. Each credit rating should be evaluated independently of any other credit rating.
Listing	This document comprises a prospectus (the " Prospectus "), for the purpose of Directive 2003/71/EC (the " Prospectus Directive "). This Prospectus has been approved by the Central Bank of Ireland (the " Central Bank of Ireland "), in its capacity as competent authority under the Prospectus Directive. This Prospectus constitutes a "prospectus" for the purposes of the Prospectus (Directive 2003/71/EC) Regulations 2005 (the " Prospectus Regulations ") (which implement the Prospectus Directive in Ireland). Application has been made to the Irish Stock Exchange (the " Irish Stock Exchange ") for the Notes to be admitted to the official list (the " Official List ") and trading on its regulated market. Such approval relates only to the

¹ Based on the Loan Expected Maturity Date, however, investors should be aware that the Notes are expected to mature on an earlier date based on and subject to any movement in the operation of the Business Plans (see section entitled "Asset Management" for further information).

² This number includes the Marlow Property Loan notwithstanding that the Marlow Asset was sold on 27 July 2012, resulting in a prepayment of the Marlow Property Loan and a resultant partial prepayment of the Senior Loan.

Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC (the "**Markets in Financial Instruments Directive**") and/or which are to be offered to the public in any Member State of the European Economic Area.

Further Issues	There are no provisions for further, additional or new notes to be issued.
Obligations	The Notes will constitute direct, secured and limited recourse obligations of the Issuer only and will not be guaranteed by, or be the responsibility of, any other person. It should be noted, in particular, that the Notes will not be obligations of, and will not be guaranteed by, the Arranger, the Lead Manager, the Note Trustee, the Borrower Security Trustee, the Paying Agents, the Agent Bank, the Liquidity Facility Provider, the Issuer Account Bank, the Asset Manager, the Corporate Services Provider, the Cash Administrator, the Asset Sellers, the Borrower or any of their respective affiliates or any affiliate of the Issuer or the shareholders of the Issuer or any other third person or entity and any suggestion otherwise, express or implied, is expressly excluded.
Retention Undertaking	RBS as an originator will undertake to the Issuer that it will retain, on an ongoing basis, a material net economic interest which shall in any event not be less than 5 per cent., in accordance with paragraph 1(a) of Article 122a of Directive 2006/48/EC (as amended by Directive 2009/111/EC), referred to as the Capital Requirements Directive (" CRD 2 ") by retaining at least 5% of each Class of Notes. For further details, please refer to the section entitled " <i>Regulatory Considerations</i> " and paragraphs 9 to 11 in the Section entitled " <i>General Information</i> ".

THE "*RISK FACTORS*" SECTION CONTAINS DETAILS OF CERTAIN RISKS AND OTHER FACTORS THAT SHOULD BE GIVEN PARTICULAR CONSIDERATION BEFORE INVESTING IN THE NOTES. PROSPECTIVE INVESTORS SHOULD BE AWARE OF THE ISSUES SUMMARISED WITHIN THAT SECTION. A PROSPECTIVE INVESTOR WHO IS IN ANY DOUBT WHATSOEVER AS TO THE RISKS INVOLVED IN INVESTING IN THE NOTES SHOULD CONSULT ITS OWN INDEPENDENT PROFESSIONAL ADVISORS.

Arranger and Lead Manager

The Royal Bank of Scotland plc

The date of this Prospectus is 28 September 2012.

IMPORTANT NOTICE

THE NOTES WILL BE OBLIGATIONS OF THE ISSUER ONLY. THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY PERSON OTHER THAN THE ISSUER. IN PARTICULAR, THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY OF THE TRANSACTION PARTIES (OTHER THAN THE ISSUER) OR ANY COMPANY IN THE SAME GROUP OF COMPANIES AS ANY OF THE TRANSACTION PARTIES (OTHER THAN THE ISSUER). NO LIABILITY WHATSOEVER IN RESPECT OF ANY FAILURE BY THE ISSUER TO PAY ANY AMOUNT DUE UNDER THE NOTES SHALL BE ACCEPTED BY ANY OF THE TRANSACTION PARTIES (OTHER THAN THE ISSUER), OR ANY COMPANY IN THE SAME GROUP OF COMPANIES AS THE TRANSACTION PARTIES (OTHER THAN THE ISSUER). THE NOTES DO NOT REPRESENT DEPOSITS WITH, OR ANY OTHER LIABILITY OF, RBS, NATWEST OR RBSI LIMITED, THEIR RELATED ENTITIES OR ANY OTHER PERSON.

The Notes

The Notes of each Class will each initially be represented on issue by a temporary global note in bearer form (each, a "**Temporary Global Note**") without interest coupons attached, which will be deposited on or about the Closing Date with a common depository for Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") and Euroclear Bank SA/NV ("**Euroclear**"). Each Temporary Global Note will be exchangeable for interests in a permanent global note in bearer form (each, a "**Permanent Global Note**") representing the same Class of Notes, without interest coupons attached, not earlier than forty (40) days after the Closing Date (**provided that** certificates as to non-U.S. beneficial ownership have been received). Ownership interests in the Temporary Global Notes and the Permanent Global Notes will be shown on, and transfers thereof will only be effected through, records maintained by Clearstream, Luxembourg and Euroclear and their respective participants. Interests in the Permanent Global Notes will be exchangeable for Definitive Notes in bearer form only in certain limited circumstances as set forth therein.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO "U.S. PERSONS" (WITHIN THE MEANING OF REGULATIONS OF THE SECURITIES ACT ("REGULATION S")) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE NOTES MAY ONLY BE OFFERED, SOLD OR DELIVERED TO NON U.S. PERSONS (AS DEFINED IN REGULATION S) OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATIONS (THE "REGULATION S NOTES").

Responsibility Statements

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The information relating to the Property Loan Portfolio, which is set out in the "*Overview of the Transaction*", "*Risk Factors*", "*The Property Loans and the Asset Level Security*" and "*Property Loan Summaries*" sections of this Prospectus, has been accurately reproduced from information made available by RBS (as Seller and as Senior Lender (which has the benefit of reporting prepared by the Borrower under the Senior Facility Agreement)) and the relevant Asset Seller and from information derived from the terms of the Property Loans. So far as the Issuer is aware and is able to ascertain from information made available by RBS and the relevant Asset Seller and derived from the Property Loans, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The information relating to RBS, NatWest and RBSI, which is set out in the "*Origination/Participation of the Property Loans*" section of this Prospectus, has been accurately reproduced from information made

available by the Asset Sellers. So far as the Issuer is aware and is able to ascertain from information made available by the Asset Sellers, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The information relating to Obligors, which is set out in the "*Obligors*" section of this Prospectus, has been accurately reproduced from information made available by the Obligors. So far as the Issuer is aware and is able to ascertain from information published by the Obligors, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The information relating to Blackstone, Blackstone Real Estate Debt Advisors UK Limited, Blackstone Real Estate Special Situations Advisors (Isobel) L.L.C., Isobel Holding S.à r.l. and Blackstone (Isobel) Upper L.P. which is set out in the "*Asset Management – Management Agreement – The Asset Manager*", "*Asset Management – Management Agreement – The Isobel Group Investor*", "*Asset Management – Management Agreement – Sub-Asset Manager – Delegation to Blackstone Real Estate Debt Advisors UK Limited*" and "*Asset Management – Management Agreement – Sub-Asset Manager – Delegation to CBRFLS*" sections of this Prospectus, has been accurately reproduced from information made available by the Asset Manager. So far as the Issuer is aware and is able to ascertain from information made available by the Asset Manager, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Origination/Participation of the Property Loans

The information contained in the section entitled "*Origination/Participation of the Property Loans*" with respect to the RBS Group was provided to the Issuer by RBS. Delivery of this Prospectus shall not create any implication that there has been no change in the affairs of the RBS Group since the date thereof, or that the information contained or referred to therein is correct as of any time subsequent to this date.

Representations about the Notes

No person is or has been authorised in connection with the issue and sale of the Notes to make any representation or provide any information other than as contained in this Prospectus and, if given or made, such representation or information should not be relied upon as having been authorised by or on behalf of the Issuer, the Issuer HoldCo, the Arranger, the Lead Manager, the Note Trustee, the Paying Agents, the Agent Bank, the Liquidity Facility Provider, the Issuer Account Bank, the Cash Administrator, the Corporate Services Provider, the Asset Manager, Blackstone, the Borrower, the Asset Sellers, the Servicer, the Special Servicer (save for the Issuer, the "**Other Parties**") (each as described in this Prospectus) or any person Affiliated with them.

None of the Other Parties or any person Affiliated with them have separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Other Parties or any person Affiliated with them as to the accuracy or completeness of the information contained in this Prospectus (including referred to in the section entitled "*Responsibility Statements*" above) or any other information supplied in connection with the Notes, their distribution or the future performance and adequacy of the Notes. Each person receiving this Prospectus acknowledges that such person has not relied on the Other Parties or any other person Affiliated with them in connection with any investigation of the accuracy of the information on its investment decision.

Financial condition of the Issuer, the Borrower and the Obligors

Neither the delivery of this Prospectus nor the offer, sale, allocation, solicitation or delivery of any Note shall, in any circumstances, create any implication or constitute a representation that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer, the Borrower or the Obligors or in any other information contained herein since the date of this Prospectus or that the information contained herein is correct as at any time subsequent to the date of this Prospectus.

Selling Restrictions

Other than the approval of the Central Bank of Ireland of this Prospectus as a prospectus in accordance with the Prospectus Regulations, no action has been or will be taken to permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction. The distribution of this Prospectus and the

offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus (or any part thereof) comes are required by the Issuer and the Lead Manager to inform themselves about and to observe any such restrictions.

Neither this Prospectus nor any part hereof constitutes an offer of, or an invitation by, or on behalf of, the Issuer, the Arranger or the Lead Manager to subscribe for or purchase any of the Notes. Neither this Prospectus, nor any part hereof, may be used for or in connection with an offer to, or solicitation by, any person in any jurisdiction or in any circumstance in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any part hereof nor any other prospectus, form of application, advertisement, other offering material or other information may be issued, distributed or published in any country or jurisdiction (including Ireland and the United Kingdom), except in circumstances that will result in compliance with all applicable laws, orders, rules and regulations.

None of the Issuer, the Lead Manager or any of their representatives is making any representation to any purchaser of the Notes described by this Prospectus regarding the legality of an investment by such purchaser under appropriate legal, investment or similar laws. Prospective purchasers should consult with their advisers as to the legal, tax, business, financial and related aspects of a purchase of the Notes.

For a further description of certain restrictions on offers and sales of the Notes and distribution of this Prospectus, see "*Note Purchase Agreement*".

Withholding Tax

Payments of interest and principal in respect of the Notes will be made subject to any applicable withholding taxes and none of the Issuer, the Paying Agents nor any other person will be obliged to pay additional amounts as a consequence thereof. See "*Taxation In The United Kingdom*".

Interpretation

References in this Prospectus to "€", "**euro**" and "**Euro**" are to the single currency introduced in the Member States of the European Community at the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended.

References in this Prospectus to "£" and "**Sterling**" are references to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland.

References in this Prospectus to "\$" "**dollar**" and "**Dollar**" are references to the lawful currency for the time being of the United States of America.

Certain figures included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown for the same category in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Capitalised terms used in this Prospectus, unless otherwise indicated, have the meanings set out in this Prospectus. An index of defined terms appears at the end of this Prospectus.

Any website mentioned herein does not form part of this Prospectus.

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RISK FACTORS

Considerations relating to the Notes

Liability Under The Notes

Notes obligations of Issuer only

The Notes will be obligations solely of the Issuer and will not be the responsibility of, or guaranteed by, the Arranger, the Lead Manager or any of the Issuer Transaction Parties (other than the Issuer) and no person other than the Issuer will accept any liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes.

Limited Resources of The Issuer/ Availability of Liquidity Facility

Limited source of funds

The ability of the Issuer to meet its obligations to pay principal and interest on the Notes and its operating and administrative expenses will be dependent solely on payments of amounts received by it under the Senior Loan (which is itself dependent on Principal Collections and Revenue Collections in respect of the Property Loans, or following a Credit Bid Restructuring Event in relation to a Property Loan the related New Property Loan, in the Property Loan Portfolio), interest earned on the Issuer Accounts and amounts standing to the credit of the Issuer General Reserve Account and amounts drawn by it under the Liquidity Facility Agreement. Other than the foregoing, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes and/or any other payment obligation ranking in priority to, or *pari passu* with, the Notes under the applicable Issuer Payment Priorities. If such funds are insufficient, any such insufficiency will be borne by the Noteholders and the other Issuer Secured Parties, subject to the applicable Issuer Payment Priorities. The Issuer will have no recourse to the Seller, save as provided in the Asset Loan Sale Agreement (see further the section entitled "*Borrower Asset Sale Documents – Asset Loan Sale Agreement*").

Limited recourse

The Notes will be limited recourse obligations of the Issuer. The Issuer is not expected to have any funds available to it (other than those as set out above in "*Limited source of funds*") to meet its obligations under the Notes. If at any time following:

- (a) the occurrence of either:
 - (i) the Final Maturity Date or any earlier date upon which all of the Notes of each Class are due and payable; or
 - (ii) the service of a Note Enforcement Notice; and
- (b) realisation of the Issuer Secured Property and application in full of any amounts available to pay amounts due and payable under the Notes in accordance with the applicable Issuer Payment Priorities,

the proceeds of such Realisation are insufficient, after payment of all other claims ranking in priority in accordance with the applicable Issuer Payment Priorities, to pay in full all amounts then due and payable under any Class of Notes then the amount remaining to be paid (after such application in full of the amounts first referred to in (b) above) under such Class of Notes (and any Class of Notes junior to that Class of Notes) shall, on the day following such application in full of the amounts referred to in (b) above, cease to be due and payable by the Issuer. "**Realisation**" is defined in Condition 13 (*Limited Recourse*).

Each Issuer Secured Party agrees that if any amount is received by it (including by way of set-off) in respect of any secured obligation owed to it other than in accordance with the provisions of the Deed of Charge, then an amount equal to the difference between the amount so received by it and the amount that it would have received had it been paid in accordance with the provisions of the Deed of Charge shall be received and held by it as trustee for the Note Trustee and shall be paid over to the Note Trustee immediately upon receipt so that such amount can be applied in accordance with the provisions of the Deed of Charge.

Deferral of interest payments on the Notes

If, on any Note Payment Date the Issuer has insufficient funds available (being the Available Revenue Funds plus any funds available to be drawn under the Liquidity Facility Agreement for such purpose) to make payment in full of all amounts of interest (including any accrued interest thereon) payable in respect of any Class of Notes (other than the Most Senior Class of Notes) after having paid or provided for items of higher priority in the Issuer Pre-Enforcement Revenue Priority of Payments, then that amount shall not be due and payable and the Issuer will be entitled under Condition 19 (*Subordination and Deferral of Interest*) to defer payment of that amount (to the extent of the insufficiency) until the following Note Payment Date or such earlier date as interest in respect of such Class of Notes becomes immediately due and repayable in accordance with the Conditions and it shall not constitute a Note Event of Default. To the extent that there are insufficient funds on the following Note Payment Date or such earlier date as interest in respect of such Class of Notes is scheduled to be paid in accordance with the Conditions, the deferral of interest shall continue until the Note Final Maturity Date and, if not paid in full on such Note Final Maturity Date, will not constitute a Note Event of Default.

Credit risk

The Issuer is subject to both the risk of default in payment by (i) the Borrower under the Senior Loan, and (ii) the Asset Level Borrowers or New Asset Level Obligors under the Property Loans or New Property Loans, and to the potential failure by the Asset Manager, on behalf of the Obligors, to realise or recover sufficient funds under the arrears and default procedures, should such procedures be required, in respect of the relevant Property Loan and related Asset Level Security or New Property Loan and related New Asset Level Security in order to discharge all amounts due and owing by the relevant Asset Level Borrowers or New Asset Level Obligors under the relevant Property Loans or New Property Loans, which may adversely affect payments on the Senior Loan and on the Notes. This risk is mitigated to some extent by certain credit enhancement features which are described in the section entitled "*Overview of the Transaction*" and "*Summary of the Issuer Transaction Documents*" and the notional range of the Property Loans which (as at the Cut Off Date) varies from £0.5m to £164.8m. Therefore the severity of any loss to the Issuer (if any) is dependent on the quantum of that Property Loan in default and associated cashflows. However, no assurance can be made as to the effectiveness of such credit enhancement features, or that such credit enhancement features will protect the Noteholders from all risk of loss.

Liquidity risk

The Issuer is subject to the risk of insufficiency of funds on any Note Payment Date as a result of payments being made late by Asset Level Borrowers or New Asset Level Obligors under the Property Loans, or New Property Loans (as applicable), (and also the Borrower under the Senior Loan) after the end of the relevant collection period. This risk is addressed in respect of the Notes by the provision of liquidity from alternative sources as described in the section entitled "*Overview of the Transaction*" and "*Summary of the Issuer Transaction Documents*". However, no assurance can be made as to the effectiveness of such liquidity features, or that such liquidity features will protect the Noteholders from all risk of loss.

Pursuant to the terms of the Liquidity Facility Agreement, the Issuer will be entitled to make drawings under the Liquidity Facility Agreement from time to time to cover shortfalls in the amounts available to the Issuer to make payments of, amongst other things, interest on each Class of Notes.

Subordination

As a result of the Issuer Payment Priorities any losses on the Senior Loan will be borne, first, by the Class C Notes, second by the Class B Notes, and third by the Class A Notes. As a result of subordination and other risks of the Senior Loan, under certain circumstances investors in one or more Classes of Notes may not recover their initial investment.

Certain amounts payable by the Issuer to third parties such as the Note Trustee, the Cash Administrator, the Agent Bank, the Paying Agents, the Issuer Account Bank, the Liquidity Facility Provider, the Corporate Services Provider the Servicer and the Special Servicer rank in priority to payments and interest on the Notes, both before and after the delivery of a Note Enforcement Notice.

Payment Priorities

The validity of contractual priorities of payments such as those contemplated in this transaction (including in relation to the underlying Property Loans, or any New Property Loans and the Senior Finance Documents) has been challenged in the English and U.S. courts. The hearings have arisen due to the insolvency of a secured creditor (in that case a swap provider) and have considered whether such payment priorities breach the "anti-deprivation" principle under English and U.S. insolvency law. This principle prevents a party from agreeing to a provision that deprives its creditors of an asset upon its insolvency. It was argued that where a secured creditor subordinates itself to noteholders in the event of its insolvency, that secured creditor effectively deprives its own creditors. The Supreme Court of the United Kingdom in *Belmont Park Investments PTY Limited (Respondent) v BNY Corporate Trustee Services Limited and Lehman Brothers Special Financing Inc* [2011] UKSC 38 unanimously upheld the decision of the Court of Appeal in dismissing this argument and upholding the validity of similar priority of payments to the Issuer Payment Priorities, stating that, **provided that** such provisions form part of a commercial transaction entered into in good faith which does not have, as its predominant purpose or one of its main purposes, the deprivation of the property of one of the parties on bankruptcy, the anti-deprivation principle was not breached by such provisions.

In parallel proceedings in New York, Judge Peck of the U.S. Bankruptcy Court for the Southern District of New York granted Lehman Brothers Special Finance Inc.'s motion for summary judgement on the basis that the effect was that the provisions infringed the anti-deprivation principle in a U.S. insolvency. Judge Peck acknowledged that this resulted in the U.S. courts coming to a decision "directly at odds with the judgement of the English Courts". In New York, whilst leave to appeal was granted, the case was settled before an appeal was heard. Therefore concerns still remain that the English and U.S. courts will diverge from each other in their approach which, in the case of an unfavourable decision in New York, may adversely affect the Issuer's ability to make payments on the Notes. There remains the issue whether in respect of foreign insolvency proceedings relating to a creditor located in a foreign jurisdiction, an English court will exercise its discretion to recognise the effects of the foreign insolvency proceedings, whether under the Cross Border Insolvency Regulations 2006 or any similar common law principles. Given the current state of U.S. law, this is likely to be an area of continued judicial focus in respect of multi-jurisdictional insolvencies.

Ranking of the Notes: Pre-Enforcement Notice:

Prior to the delivery of a Note Enforcement Notice:

- (A) The obligations of the Issuer as to payments of interest in respect of all Classes of Notes will be paid from Available Revenue Funds and shall rank as follows: (i) the Class A Notes will rank equally amongst themselves, but in priority to the obligations of the Issuer in respect of interest on the Class B Notes and the Class C Notes; (ii) the Class B Notes will rank equally amongst themselves, but in priority to the obligations of the Issuer in respect of interest on the Class C Notes; and (iii) the obligations of the Issuer as to payments of interest in respect of the Class C Notes will rank equally amongst themselves.
- (B) The obligations of the Issuer as to payments of principal in respect of all Classes of Notes will be paid from Available Principal Funds and shall rank as follows: (i) the Class A Notes will rank equally amongst themselves, but in priority to the obligations of the Issuer in respect of principal on the Class B Notes and the Class C Notes; (ii) the Class B Notes will rank equally amongst themselves, but in priority to the obligations of the Issuer in respect of principal on the Class C Notes; and (iii) the obligations of the Issuer as to payments of principal in respect of the Class C Notes will rank equally amongst themselves.

Ranking of the Notes: Post-Enforcement:

After the delivery of a Note Enforcement Notice, payments of principal and interest on the Class A Notes will be made in priority to payments of principal and interest on the Class B Notes and the Class C Notes. Payments of principal and interest on the Class B Notes will be made in priority to payments of principal and interest on the Class C Notes.

If, on any Note Payment Date prior to the Final Maturity Date or such earlier date as the Notes become immediately due and repayable under the Conditions, the Issuer has insufficient Available Revenue Funds

(together with any funds available to be drawn for that purpose under the Liquidity Facility Agreement) to make payment in full of interest due on any Class of Notes other than the Most Senior Class of Notes then the Issuer will be entitled (pursuant to Condition 19 (*Subordination and Deferral of Interest*)), to defer payment of that amount (to the extent of the insufficiency) until the following Note Payment Date. Such deferral of interest (other than in respect of the Most Senior Class of Notes) will not constitute a Note Event of Default pursuant to Condition 11 (*Note Events of Default*).

Ratings of the Notes

The rating assigned to each Class of Notes by the Rating Agency addresses the likelihood of full and timely payment to each Class of Notes of all payments of interest on the Class A Notes, the Class B Notes and the Class C Notes on each Note Payment Date and the full and ultimate payment of principal on the Notes on or before the Final Maturity Date. There is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by the Rating Agency as a result of changes in, or unavailability of, information or if, in the Rating Agency's judgment, circumstances so warrant.

Rating agencies other than the Rating Agency could seek to rate the Notes and if such "**unsolicited ratings**" are lower than the comparable rating assigned to the Notes by the Rating Agency, such shadow ratings could have an adverse effect on the value of the Notes.

For the avoidance of doubt and unless the context otherwise requires, any references to "**ratings**" or a "**rating**" in this Prospectus are to ratings assigned by the Rating Agency only. Future events, including events affecting the Asset Level Properties, could have an adverse impact on the ratings of the Notes.

A rating is not a recommendation to buy, sell or hold securities and there is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by the Rating Agency as a result of changes in or unavailability of information or if, in the judgement of the Rating Agency, circumstances so warrant. At any time, the Rating Agency may revise its relevant rating methodology, with the result that any rating assigned to the Notes may be lowered. A qualification, downgrade or withdrawal of any of the ratings mentioned above may impact upon the value of the Notes.

Rating Confirmations

Ratings confirmation in relation to the Notes in respect of certain actions

The terms of certain Transaction Documents provide that, for the purposes of exercising any right, power, trust, authority, duty or discretion under or in relation to the Notes, the Trust Documents or any other Issuer Transaction Documents, the Note Trustee is entitled to take into account any confirmation by the Rating Agency that the then current rating of the Notes will not be downgraded, withdrawn or qualified, and that, where any original rating of the Notes has been and continues to be downgraded, restoration of such original rating would not be prevented, as a result of such exercise (a "**Ratings Confirmation**").

A Ratings Confirmation that any action proposed to be taken by the Issuer or the Note Trustee will not have an adverse effect on the then current rating of the Notes does not, for example, confirm that such action (i) is permitted by the terms of the Transaction Documents or (ii) is in the best interests of, or prejudicial to, Noteholders. Where the Rating Agency has confirmed that the then current rating of the relevant Class of Notes would not be adversely affected, the Note Trustee is entitled to have regard to such confirmation but the fact that the Rating Agency has given the confirmation does not impose or extend any actual or contingent liability on the Rating Agency to the Issuer Secured Parties (including the Noteholders), the Issuer, the Note Trustee or any other person or create any legal relationship between the Rating Agency and the Issuer Secured Parties (including the Noteholders), the Issuer, the Note Trustee or any other person whether by way of contract or otherwise.

The Rating Agency, not being party to the Transaction Documents, are not bound by the terms of the Transaction Documents and any Ratings Confirmation requested by the parties may or may not be given at the sole discretion of the Rating Agency. It should be noted that, depending on the timing of delivery of the request and any information needed to be provided as part of any such request, it may be the case that the Rating Agency cannot provide a Ratings Confirmation in the time available or at all, and the Rating Agency should not be responsible for the consequences thereof. A Ratings Confirmation, if given,

will be given on the basis of the facts and circumstances prevailing at the relevant time and in the context of cumulative changes to the transaction of which the securities form part since the Closing Date. A Ratings Confirmation represents only a restatement of the opinions given as at the Closing Date and cannot be construed as advice for the benefit of any parties to the transaction.

Certain rating agencies have indicated that they will no longer provide Ratings Confirmations as a matter of policy. To the extent that a Ratings Confirmation cannot be obtained, whether or not a proposed action will ultimately take place will be determined in accordance with the provisions of the relevant Transaction Documents and specifically the relevant modification and waiver provisions.

Modifications to the Issuer Transaction Documents to Comply with Rating Agency Criteria

Condition 15 and the terms of the Note Trust Deed provide that the Note Trustee shall, but without a requirement for the consent or sanction of any of the Noteholders or any other Issuer Secured Parties, concur with the Issuer, in making any modification to the Issuer Transaction Documents requested by the Issuer which either:

- (i) are required to implement the new credit rating criteria of the Rating Agency; or
- (ii) have been discussed with the Rating Agency itself,

in either case, to maintain or improve the then current credit ratings of the Most Senior Class of Notes then outstanding, irrespective of whether such modifications constitute Reserved Matters or are materially prejudicial to the interests of the Noteholders of any Class or any other Issuer Secured Party.

There can be no assurance that such modifications would not increase the costs of the Issuer or reduce the returns to Noteholders.

Absence of Secondary Market

Lack of liquidity in the secondary market may adversely affect the market value of the Notes

There can be no assurance provided that there is an active and liquid secondary market for the Notes, and no assurance is provided that a secondary market for the Notes will develop or, if it does develop, that it will provide Noteholders with liquidity of investment for the life of the Notes. Any investor in the Notes must be prepared to hold their Notes for an indefinite period of time or until their Final Maturity Date or alternatively such investor may only be able to sell the Notes at a discount to the original price of those Notes.

Moreover, at the date of this Prospectus, the secondary market for asset-backed securities in general is experiencing disruptions resulting from reduced investor demand for such securities. At times this has had a material adverse impact on the market value of asset-backed securities and resulted in the secondary market for asset-backed securities similar to the Notes experiencing limited liquidity. It should also be noted that the market for the Notes may be affected by any restructuring of sovereign debt by countries in the Euro-zone. It is unclear what the outcome of any restructuring will be. This uncertainty may have implications for the liquidity of the Notes in the secondary market.

Limited liquidity in the secondary market may have an adverse effect on the market value of asset-backed securities, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the requirements of limited categories of investors. It is not known for how long these market conditions will continue or whether they will worsen.

Whilst central bank schemes such as the Bank of England's Discount Window Facility which was launched in October 2008 and the European Central Bank liquidity scheme provide an important source of liquidity in respect of eligible securities, recent restrictions in respect of the relevant eligibility criteria for eligible collateral which applies and will apply in the future under such facilities are likely to adversely impact secondary market liquidity for asset-backed securities in general, regardless of whether the Notes are eligible securities.

The Credit Crisis and Downturn in the Real Estate Market Have Adversely Affected the Value of CMBS and Real Estate Backed Securities

Recent events in the real estate and securitisation markets, as well as the debt markets and the economy generally, have caused significant dislocations, illiquidity and volatility in the market for commercial mortgage-backed securities ("CMBS") and real estate backed securities, as well as in the wider global financial markets. Declining real estate values, coupled with diminished availability of leverage and/or refinancings for commercial real estate has resulted in increased delinquencies and defaults on commercial mortgage loans. In addition, the downturn in the general economy has affected the financial strength of many commercial real estate tenants and has resulted in increased rent delinquencies and increased vacancies. Any continued downturn may lead to increased vacancies, decreased rents or other declines in income from, or the value of, commercial real estate and real estate backed securities, which would likely have an adverse effect on CMBS that are backed by mortgage loans secured by such commercial real estate and thus affect the values of such CMBS and real estate backed securities. There can be no assurance that the dislocation in the CMBS market will not continue to occur or become more severe. Even if the CMBS and real estate backed securities market does recover, the Asset Level Properties may nevertheless decline in value. Any further economic downturn may adversely affect the financial resources of the Asset Level Borrowers or (in respect of any New Property Loan) any New Asset Level Obligors and may result in the inability of the Asset Level Borrowers or New Asset Level Obligors (as applicable) to make principal and interest payments on, or refinance, the Property Loans or any New Property Loans when due. In the event of default by an Asset Level Borrower under a Property Loan, or any New Asset Level Obligor under any New Property Loan, the Borrower or a Guarantor may suffer a partial or total loss with respect to the relevant Property Loan or New Property Loan and consequently, the Issuer may suffer a partial or total loss with respect to the Senior Loan. Any delinquency or loss on the related Asset Level Properties would be likely to have an adverse effect on the distributions of principal and interest received in respect of the related Property Loans and (if applicable) New Property Loans, the Senior Loan and the holders of the Notes.

In addition to credit factors directly affecting CMBS, the continuing fallout from a downturn in other real-estate mortgage-backed securities markets and markets for other asset backed and structured products has also affected the CMBS market by contributing to a decline in the market value and liquidity of securitised investments such as CMBS. The deterioration of other structured products markets may continue to adversely affect the value of CMBS. Even if CMBS are performing as anticipated, the value of such CMBS in the secondary market may nevertheless decline as a result of deterioration in general market conditions or in the market for other asset backed or structured products and as such could also affect the value of real estate asset backed products such as the Notes.

The Volatile Economy and Credit Crisis May Increase Loan Defaults and Affect the Value and Liquidity of Your Investment

The lack of credit liquidity, decreases in the value of commercial properties and, in some instances, correspondingly higher lending rates have prevented many commercial mortgage borrowers from refinancing their loans. These circumstances have increased delinquency and default rates of securitised commercial mortgage loans, and may lead to widespread commercial mortgage defaults. In addition, the declines in commercial real estate values have resulted in reduced borrower equity, hindering the ability of borrowers to refinance in an environment of increasingly restrictive lending standards and giving them less incentive to cure delinquencies and avoid enforcement. Higher loan-to-value ratios are likely to result in lower recoveries on foreclosure, and an increase in loss severities above those that would have been realised had commercial property values remained the same or continued to increase. Defaults, delinquencies and losses have further decreased property values, thereby resulting in additional defaults by commercial mortgage borrowers, further credit constraints, further declines in property values and further adverse effects on the perception of the value of CMBS and the value of real estate backed products such as the Notes.

Many commercial mortgage lenders have tightened their loan underwriting standards, which has reduced the availability of mortgage credit to prospective borrowers. These developments have contributed, and may continue to contribute, to a weakening in the commercial real estate market as these adjustments have, among other things, inhibited refinancing and reduced the number of potential buyers of commercial real estate. The continued use or further adjustment of these loan underwriting standards may contribute to further increases in delinquencies and losses on commercial mortgage loans generally.

The global markets have seen an increase in volatility due to uncertainty surrounding the level and sustainability of sovereign debt of certain countries that are part of the European Union, including Greece, Spain, Portugal, Ireland and Italy, as well as the sustainability of the European Union itself. There can be no assurance that this uncertainty will not lead to further disruption of the credit markets in Europe. In addition, recently-enacted financial reform legislation in Europe could adversely affect the availability of credit for commercial real estate.

Investors should consider that general conditions in the commercial real estate and mortgage markets may adversely affect the performance of the Property Loans and any New Property Loans, and accordingly the performance of the Senior Loan and the Notes. In addition, in connection with all the circumstances described above, you should be aware in particular that:

- such circumstances may result in substantial delinquencies and defaults on the Property Loans and any New Property Loans, and adversely affect the amount of liquidation proceeds the Issuer would realise in the event of enforcement and liquidation of the Senior Loan and the Notes;
- the Property Loans were originated between 2002 and 2009, and the values of the Asset Level Properties may have declined since the related Property Loan was originated and may decline following the issuance of the Notes and such declines may be substantial and occur in a relatively short period following the issuance of the Notes; and such declines may or may not occur for reasons largely unrelated to the circumstances of any particular property;
- if a Noteholder determines to sell its Notes, it may be unable to do so or may be able to do so only at a substantial discount from the price originally paid; this may be the case for reasons unrelated to the then current performance of the Notes, the Senior Loan or the Property Loans; and this may be the case within a relatively short period following the issuance of the Notes;
- if a Property Loan or any New Property Loan defaults, then the return on the Senior Loan and accordingly the Notes may be substantially reduced notwithstanding that liquidation proceeds may be sufficient to result in the repayment of the principal of and accrued interest on the Notes; an earlier than anticipated repayment of principal (even in the absence of losses) in the event of a default in advance of the maturity date would tend to shorten the weighted average period during which interest is earned on Noteholder's investments and the actual yield to maturity on a class of Notes purchased may be lower than assumed at the time of that purchase; and a later than anticipated repayment of principal (even in the absence of losses) in the event of a default upon the maturity date would tend to delay the receipt of principal and the interest on the Notes may be insufficient to compensate Noteholders for that delay and in such case the actual yield to maturity on a class of Notes may be lower than assumed at the time of that purchase;
- even if liquidation proceeds received on a Property Loan or any New Property Loan are sufficient to cover the principal and accrued interest on the same, the Issuer may experience losses in the form of enforcement costs and expenses, and Noteholders may bear losses as a result, and their yield will be adversely affected by such losses;
- the time periods to resolve a Property Loan or a New Property Loan following the occurrence of a default may be long, and those periods may be further extended because of a Asset Level Borrower or (if applicable) New Asset Level Obligor insolvency and related litigation; and
- even if Noteholders intend to hold their Notes, depending on the circumstances of particular Noteholders, Noteholders may be required to report declines in the value of their interests in the Notes, and/or record losses, on their financial statements or regulatory or supervisory reports, and/or repay or post additional collateral for any secured financing, hedging arrangements or other financial transactions that they have entered into that are backed by or make reference to the Notes, in each case as if the Notes were to be sold immediately.

In connection with all the circumstances described above, the risks described elsewhere under "*Risk Factors*" in this Prospectus are heightened substantially, and Noteholders should review and carefully consider such risk factors in light of such circumstances.

Conflicts of Interest Between Noteholders

Conflict between Noteholders

The Note Trust Deed and the Deed of Charge contain provisions requiring the Note Trustee to have regard to the interests of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders equally as regards the exercise of all powers, trusts, authorities, duties and discretions of the Note Trustee (except where expressly provided otherwise) in the Note Trust Deed of any other Issuer Transaction Document to which the Note Trustee is a party.

If, in the opinion of the Note Trustee, there is a conflict between the interests of (a) (i) the Class A Noteholders and (ii) the Class B Noteholders and/or the Class C Noteholders, the Note Trustee shall have regard only to the interests of the Class A Noteholders whose interests shall prevail; (b) (if there are no Class A Notes outstanding or if the Note Trustee is satisfied that the exercise of its powers, trusts, authorities, duties and discretions do not impact on or affect the Class A Notes in any respect) (i) the Class B Noteholders; and (ii) the Class C Noteholders, the Note Trustee shall have regard only to the interests of the Class B Noteholders. If no Class A Notes or Class B Notes are outstanding, or if the Note Trustee is satisfied that the exercise of such powers, trusts, authorities, duties and discretions do not impact on or affect the Class A Notes or the Class B Notes in any respect, the Note Trustee is to have regard only to the interests of the Class C Noteholders.

Relationship Between Noteholders and other Issuer Secured Parties

The Note Trustee shall have regard only to the interest of the Noteholders for so long as the Notes are outstanding and no other Issuer Secured Party shall have any claim against the Note Trustee for so doing.

Noteholders as a Class

Without prejudice to the foregoing paragraph, in the exercise of its powers, trusts, authorities, duties and discretions, the Note Trustee will:

- (a) subject to paragraph (b) below, have regard to the interests of the Noteholders or any Class of them as a single class and will not be responsible for any consequence for individual Noteholders as a result of such holders being domiciled or resident in, or otherwise connected in any way with, or subject to the jurisdiction of, a particular territory or taxing jurisdiction; and
- (b) in the event of a conflict of interests of holders of different classes have regard only to the interests of the holders of Notes as set out in the paragraph entitled "*Conflict between Noteholders*" above and will not have regard to the interests of the other Issuer Secured Parties except to ensure the application of the Issuer's funds after the delivery of an Note Enforcement Notice in accordance with the Issuer Post-Enforcement Priority of Payments.

Related Parties May Purchase Notes

Related parties, including the Servicer, the Special Servicer, the Asset Manager and any affiliates thereof or of the Obligors, may purchase all or part of one or more classes of Notes (and RBS as Seller will retain, on an ongoing basis at least five per cent. of each class of Notes). A purchase by the Servicer, the Special Servicer or the Asset Manager (or its affiliates) could cause a conflict between such entity's duties pursuant to the Servicing Agreement or Asset Management Agreement (as applicable) and its interest as a holder of a Note, especially to the extent that certain actions or events have a disproportionate effect on one or more classes of Notes. The Servicing Agreement provides that the Senior Loan is required to be administered in accordance with the Servicing Standard without regard to ownership of any Note by the Servicer or, as may be the case, the Special Servicer or any affiliate thereof.

Limited Rights of Relevant Debt Holders

A Relevant Debt Holder will not benefit from the same rights to vote as the other Noteholders. A Relevant Debt Holder will not be permitted to vote on any Ordinary Resolution or Extraordinary Resolution or pass any Written Resolution other than in connection with Excluded Matters or Reserved Matters and save where such Relevant Debt Holders holds all of the Notes, until such time as it ceases to be a Relevant Debt Holder.

Servicing Agreement

The Servicing Agreement requires the Servicer or Special Servicer (as the case may be) to act in accordance with the Servicing Standard, giving due consideration to the timely collection of all scheduled payments of principal and interest under the Loan Sale Assets or (following a Loan Event of Default), the maximisation of the recoveries in respect of the Loan Sale Assets.

Following the occurrence of a Special Servicing Event, the Special Servicer may, acting in accordance with the Servicing Standard, exercise any rights the Issuer may have in relation to the replacement of the Asset Manager under the Management Agreement. The Special Servicer is obliged to give reasonable notice to the holders of the Most Senior Class of Notes or any Controlling Party Representative of any action it intends to take to replace the Asset Manager and is required to act on any contrary instructions it receives from such persons. The holders of the Most Senior Class of Notes then outstanding may appoint a Controlling Party Representative to represent their interests at any time.

Withholding or Deduction under the Notes

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

European Monetary Union

It is possible that, prior to the maturity of the Notes, the United Kingdom may become a participating Member State in the European economic and monetary union and that the Euro may become the lawful currency of the United Kingdom. In that event (i) all amounts payable in respect of the Notes may become payable in Euro; (ii) law may allow or require the Notes to be redenominated into Euro and additional measures to be taken in respect of such Notes; and (iii) there may no longer be available published or displayed rates for deposits in Sterling used to determine the rates of interest on the Notes or changes in the way those rates are calculated, quoted and published or displayed. The introduction of the Euro could also be accompanied by a volatile interest rate environment which could adversely affect the Asset Level Borrowers' and any New Asset Level Obligors' ability to repay the Property Loans or any New Property Loans (as applicable) and the Borrower's ability to repay the Senior Loan, as well as adversely affect investors in the Notes.

Consultation on possible changes to income tax rules on interest

The UK Government began a consultation on possible changes to income tax rules on interest on 27 March 2012. The deadline for responses was 22 June 2012 and any changes to legislation in light of the consultation, and any responses to it, will be made in the Finance Act 2013. The consultation proposes changes to the law in a number of areas, including to the exemption that allows the payment of interest under notes to be made without deduction or withholding for or on account of income tax, where the

notes are listed on a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007 (the "**Quoted Eurobond Exemption**") (see also the section in this Prospectus entitled "*Taxation in the United Kingdom*").

The consultation proposes to amend the Quoted Eurobond Exemption so it would not apply where notes are issued to a group company, and the notes are listed on a stock exchange on which there is no substantial or regular trading in the eurobond. Whilst the proposed changes, in their current form, should not impact upon the tax treatment of the Notes, the proposals may be amended or broadened throughout the course of the consultation and legislative process. Accordingly, no assurance can be given that the scope of the proposals and/or what is introduced will not impact on the Notes. Investors who are in any doubt as to their position should consult their professional advisers.

Meetings of Noteholders, modification and waiver

The Conditions contain provisions for calling Meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant Meeting and Noteholders who voted in a manner contrary to the majority.

The Note Trust Deed provides that, without the consent or sanction of the Noteholders or any of the other Issuer Secured Parties, the Note Trustee may:

- (a) (other than in the case of paragraph (i) below, in respect of a Reserved Matter) concur with the Issuer and/or any other relevant party to any of the Issuer Transaction Documents, in making any modification to the Conditions, the Trust Documents, the Notes or the other Issuer Transaction Documents to which it is a party or over which it has security, or may give its consent to any event, matter or thing if:
 - (i) in the opinion of the Note Trustee, the interests of the holders of each Class of Notes then outstanding, will not be materially prejudiced thereby; or
 - (ii) in the opinion of the Note Trustee, is of a formal, minor, administrative or technical nature, or is to correct a manifest error or an error in respect of which an English Court could reasonably be expected to make a rectification order;
 - (iii) such modification is required or permitted, subject to the satisfaction of specified conditions, under the terms of the Conditions or the Issuer Transaction Documents provided such conditions are satisfied.
- (b) authorise or waive, on such terms and conditions (if any) as it may decide, any proposed breach or breach of covenants or provisions contained in any of the Trust Documents, the Notes or any of the other Issuer Transaction Documents if in the Note Trustee's opinion, the interests of the holders of each Class of Notes then outstanding will not be materially prejudiced thereby, and
- (c) determine that any Note Event of Default or Potential Note Event of Default shall not be treated as such for the purposes of the Trust Documents, the Notes or the other Issuer Transaction Documents, if in the Note Trustee's opinion, the interests of the holders of the Most Senior Class of Notes then outstanding will not be materially prejudiced thereby,

provided always that the Note Trustee shall not exercise any powers under paragraphs (a), (b) or (c) in contravention of any express direction given by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding or a request or direction in writing made by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding (but no such direction or request shall affect (a) any authorisation, waiver or determination previously given or made; or (b) shall authorise or waive any proposed breach or breach relating to a Reserved Matter unless approved by way of Extraordinary Resolution of the holders of each Class of Notes, save that an Extraordinary Resolution of the Class B Notes and/or the Class C Notes (save where such Class is the Most Senior Class of Notes outstanding) shall not be required if such Class fails to satisfy the Instructing Junior Class Test at the relevant time.

The Note Trust Deed also contains a mechanism for the Note Trustee to approve certain amendments and modifications requested in writing by the Issuer to implement the then current rating criteria of the Rating

Agency or by the Rating Agency itself where required to maintain or improve the current credit ratings of the Most Senior Class of Notes outstanding, subject to the satisfaction of certain conditions.

The Note Trustee may also, without the consent of any of the Noteholders or other Issuer Secured Parties, concur with the Issuer in substituting in place of the Issuer a Substituted Obligor as the principal debtor in respect of the Transaction Documents **provided that** certain conditions as set out in the Note Trust Deed are satisfied.

The Issuer shall also be required to convene a Meeting of Noteholders at the request of the Servicer or, as may be the case, the Special Servicer where the Servicer or, as may be the case, the Special Servicer determines to obtain Noteholder consent in connection with the exercise by the Servicer or the Special Servicer of any rights of the Issuer to approve a waiver, modification or amendment of a Borrower Transaction Document under the terms of the Servicing Agreement in respect of an Excluded Matter. See the section entitled "*Servicing Agreement*" for further information.

Change of law

The structure of the transaction as described in this Prospectus and, *inter alia*, the issue of the Notes and the ratings which are to be assigned to the Notes are based on the law and administrative practice in effect as at the date of this Prospectus as it affects the parties to the transaction and the Assets, and having regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given as to the impact of any possible change to such law (including any change in regulation which may occur without a change in primary legislation) and practice or tax treatment after the date of this Prospectus nor can any assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Notes.

Yield and Prepayment Considerations

The yield to maturity of the Notes of each Class will depend on, amongst other things, the amount and timing of repayment and prepayment of principal (including prepayments from, amongst other things, sale proceeds arising from a disposal of an Asset, New Asset or Asset Level Property) on the Senior Loan and the price paid by the holders of the Notes. Such yield may be adversely affected by a higher or lower than anticipated rate of prepayment on the Senior Loan.

The rate of prepayment of the Senior Loan cannot be predicted and will be influenced by a wide variety of economic, market and other factors, including the availability of alternative financing and local and regional economic conditions. Therefore, no assurance can be given as to the level of prepayment that will be experienced.

The Issuer's Reliance on Third Parties

The Issuer is a party who contracts with a number of third parties who have agreed to perform certain services in relation to, amongst other things, the Notes. For example, the Liquidity Facility Provider has agreed to provide the Liquidity Facility, the Corporate Services Provider has agreed to provide various corporate services to the Issuer, the Issuer Account Bank has agreed to provide account bank services to the Issuer and the Cash Administrator, the Servicer and the Special Servicer have agreed to provide loan servicing services in connection with the Senior Loan, the Paying Agents and the Agent Bank have agreed or may in future agree to provide, amongst other things, payment, administration and calculation services in connection with the Notes. In the event that any relevant third party fails to perform its obligations under the respective agreement to which it is a party, the Noteholders may be adversely affected. The Issuer is also reliant on similar third parties appointed by the Borrower to perform certain services to the Borrower and make relevant payments under the Borrower Transaction Documents.

General Considerations

Material Breach of Senior Loan Warranty in Relation to the Sale of the Loan Sale Assets

Neither the Issuer nor the Note Trustee has undertaken or will undertake any investigations, searches or other actions as to the status of the Borrower, the Guarantors, the Asset Manager and the Issuer and the Note Trustee will each rely instead solely on the representations and warranties given by the Seller in respect of such matters in the Issuer Loan Sale Agreement.

In the event of a Material Breach of Senior Loan Warranty under the Issuer Loan Sale Agreement which has not been remedied or is not capable of remedy, the sole remedy of each of the Issuer and the Note Trustee against the Seller is a right of indemnity on demand against all losses, claims, demands, taxes and all other expenses or other liabilities incurred by the Issuer and the Note Trustee as a result of such Material Breach of Senior Loan Warranty. In no circumstances will the Seller be under an obligation (although it will have an option) to repurchase the Senior Loan or the other assets assigned under the Issuer Loan Sale Agreement.

See "*Summary of the Issuer Transaction Documents – Loan Sale Documents*".

Potential effects of any additional regulatory changes

No assurance can be given that changes will not be made to the regulatory regime and developments described above, the commercial mortgage market in the United Kingdom generally or in any jurisdiction (including the United States), the relevant Asset Seller's particular sector in the United Kingdom or any other jurisdiction (including the United States) or specifically in relation to the relevant Asset Seller or in respect of the market for asset backed securities (and any investment in respect thereof). Any such action or developments, in particular, but not limited to, the cost of compliance, may have a material adverse effect on the Asset Sellers and/or the Issuer and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments in full when due on the Notes.

English law security and insolvency considerations

The Issuer will enter into the Deed of Charge pursuant to which it will grant Security in respect of certain of its obligations, including its obligations under the Notes. If certain insolvency proceedings are commenced in respect of the Issuer, the ability of the Note Trustee to realise such Security may be delayed and/or the value of such Security impaired. The same risks apply to the Security granted by the Obligors as security for the Borrower Secured Obligations, including the Senior Loan, under the Borrower Security and the security granted by the Asset Level Borrowers under the Property Loans or any New Asset Level Obligors under any New Property Loans, and related documentation.

The Insolvency Act allows for the appointment of an administrative receiver in relation to certain transactions in the capital markets. Although there is as yet no case law on how these provisions will be interpreted, it should be applicable to the floating charge created by the Issuer and granted by way of security to the Note Trustee under the Deed of Charge. It should also be applicable to the floating charge created by the Obligors and granted by way of security to the Borrower Security Trustee under the Securitisation Floating Charge Debenture. However, as this is partly a question of fact, were it not to be possible to appoint an administrative receiver in respect of the Issuer or any Obligor, the Issuer or the Obligor (as applicable) would be subject to administration if it became insolvent which may lead to the ability to realise the Security being delayed and/or the value of the Security being impaired.

In addition, it should be noted that, to the extent that the assets of the Issuer and Obligors are subject only to a floating charge (including any fixed charge recharacterised by the courts as a floating charge), in certain circumstances under the Insolvency Act, certain floating charge realisations which would otherwise be available to satisfy the claims of secured creditors under the Deed of Charge or Borrower Security (as applicable) may be used to satisfy any claims of unsecured creditors. While certain of the covenants given by each of the Issuer and the Obligors in the Transaction Documents are intended to ensure it has no significant creditors other than the Issuer Secured Parties and Borrower Secured Parties respectively, it will be a matter of fact as to whether the Issuer and Obligors have any other such creditors at any time. There can be no assurance that the Noteholders will not be adversely affected by any such reduction in floating charge realisations upon the enforcement of the Security.

While the transaction structure is designed to minimise the likelihood of the Issuer becoming insolvent, there can be no assurance that the Issuer will not become insolvent and/or the subject of insolvency proceedings and/or that the Noteholders would not be adversely affected by the application of insolvency laws (including English insolvency laws).

Fixed charges may take effect under English law as floating charges

The law in England and Wales relating to the characterisation of fixed charges is unsettled. The fixed charges purported to be granted by the Issuer (other than by way of assignment in security) may take

effect under English law as floating charges only, if, for example, it is determined that the Note Trustee does not exert sufficient control over the Issuer Secured Property (although it should be noted that there is no equivalent concept of re-characterisation of fixed security as floating charges under Scots law). If the charges take effect as floating charges instead of fixed charges, then, as a matter of law, certain claims would have priority over the claims of the Note Trustee in respect of the floating charge assets.

The interest of the Issuer Secured Parties in property and assets over which there is a floating charge will rank behind the expenses of any administration or liquidator and the claims of certain preferential creditors on enforcement of the Security. Section 251 of the Enterprise Act 2002 abolishes Crown preference in relation to all insolvencies (and thus reduces the categories of preferential debts that are to be paid in priority to debts due to the holder of a floating charge) but Section 176A of the Insolvency Act requires a "prescribed part" (up to a maximum amount of £600,000) of the floating charge realisations available for distribution to be set aside to satisfy the claims of unsecured creditors. This means that the expenses of any administration or liquidator, the claims of preferential creditors and the beneficiaries of the prescribed part will be paid out of the proceeds of enforcement of the floating charge ahead of amounts due to Noteholders. The prescribed part will not be relevant to property subject to a valid fixed security interest or to a situation in which there are no unsecured creditors.

Liquidation expenses

Prior to the House of Lords' decision in the case of *Re Leyland Daf* in 2004, the general position was that, in a liquidation of a company, the liquidation expenses ranked ahead of unsecured debts and floating chargees' claims. *Re Leyland Daf* reversed this position so that liquidation expenses could no longer be recouped out of assets subject to a floating charge. However, section 176ZA of the Insolvency Act, which came into force on 6 April 2008, effectively reversed by statute the House of Lords' decision in *Re Leyland Daf*. As a result, it is now the case that the costs and expenses of a liquidation will be payable out of floating charge assets in priority to the claims of the floating charge-holder. In respect of certain litigation expenses of the liquidator only, this is subject to the approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to rules 4.218A to 4.218E of the Insolvency Rules 1986. In general, the reversal of *Re Leyland Daf* applies in respect of all liquidations commenced on or after 6 April 2008. Therefore, floating charge realisations upon the enforcement of the floating charge security to be granted by the Issuer (which would otherwise be available to satisfy the claims of the Issuer's secured creditors under the Deed of Charge) would be reduced by the amount of all, or a significant proportion of, any liquidation expenses.

Risks relating to the Banking Act 2009

If an instrument or order were to be made under the Banking Act 2009 in respect of a UK-incorporated institution with permission to accept deposits pursuant to Part IV of FSMA (such as the Sellers, the Issuer Account Bank, etc), such instrument or order may (amongst other things) affect the ability of such entities to satisfy their obligations under the Issuer Transaction Documents and/or result in modifications to such documents. In particular, modifications may be made pursuant to powers permitting certain trust arrangements to be removed or modified and/or via powers which permit provision to be included in an instrument or order such that the relevant instrument or order (and certain related events) is required to be disregarded in determining whether certain widely defined "**default events**" have occurred (which events would include certain trigger events included in the Transaction Documents in respect of the relevant entity, including termination events and (in the case of the Sellers) trigger events in respect of perfection of legal title to the underlying loans). As a result, the making of an instrument or order in respect of a relevant entity may affect the ability of the Issuer to meet its obligations in respect of the Notes and may result in a change in the contractual terms applicable to the Notes without the consent of the Noteholders. While there is provision for compensation in certain circumstances under the Banking Act 2009, there can be no assurance that Noteholders would recover compensation promptly and equal to any loss actually incurred. As at the date of this Prospectus, none of the FSA, HM Treasury or the Bank of England have made an instrument or order under the Banking Act 2009 in respect of the relevant entities referred to above and there has been no indication that the FSA, HM Treasury or the Bank of England will make any such instrument or order, but there can be no assurance that this will not change and/or that Noteholders will not be adversely affected by any such instrument or order if made.

The Independent Commission on Banking has published its final report on competition and possible structural reforms in the UK banking industry. The implementation of the recommendations included in the final report could have a material adverse effect on the RBS Group.

The Independent Commission on Banking (the "**ICB**") was appointed by the UK Government in June 2010 to review possible structural measures to reform the UK banking system in order to promote, amongst other things, stability and competition. The ICB published its final report to the Cabinet Committee on Banking Reform on 12 September 2011 (the "**Final Report**") which sets out the ICB's views on possible reforms to improve stability and competition in UK banking. The Final Report makes a number of recommendations, including in relation to (i) the implementation of a ring-fence of retail banking operations, (ii) loss-absorbency (including bail-in) and (iii) competition. The ICB has recommended 2019 as the final deadline for the implementation of its recommendations. The RBS Group will continue to participate in the debate and to consult with the UK Government on the implementation of the recommendations set out in the Final Report, the effects of which could materially adversely affect the RBS Group's structure, results of operations, financial condition and prospects. There can be no assurance that the Noteholders will not be adversely affected by the implementation of the recommendations set out in the Final Report.

Implementation of, and amendments to, the Basel II framework may affect the regulatory capital and liquidity treatment of the Notes

The regulatory capital framework published by the Basel Committee on Banking Supervision (the "**Basel Committee**") in 2006 (the "**Basel II Framework**") has not been fully implemented in all participating countries. The implementation of the framework in relevant jurisdictions may affect the risk-weighting of the Notes for investors who are or may become subject to capital adequacy requirements that follow the framework.

It should also be noted that the Basel Committee has approved significant changes to the Basel II Framework (such changes being commonly referred to as "**Basel III**"), including new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions. In particular, the changes refer to, amongst other things, new requirements for the capital base held by credit institutions, measures to strengthen the capital requirements for counterparty credit exposures arising from certain transactions and the introduction of a leverage ratio as well as short-term and longer-term standards for funding liquidity (referred to as the "**Liquidity Coverage Ratio**" and the "**Net Stable Funding Ratio**"). Member countries will be required to implement the new capital standards from January 2013, the new Liquidity Coverage Ratio from January 2015 and the new Net Stable Funding Ratio from January 2018. The European Commission's corresponding proposals to implement the changes (through amendments to the Capital Requirements Directive (or "**CRD**") known as "**CRD 4**") were published in July 2011. The changes approved by the Basel Committee may have an impact on incentives to hold the Notes for investors that are subject to requirements that follow the revised framework and, as a result, they may affect the liquidity and/or value of the Notes.

In general, investors should consult their own advisers as to the regulatory capital requirements in respect of the Notes and as to the consequences to and effect on them of any changes to the Basel II Framework (including the Basel III changes described above) and the relevant implementing measures. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

Article 122a

Impact of regulatory initiatives on certain investors

In Europe, the U.S. and elsewhere there is increased political and regulatory scrutiny of the asset-backed securities industry. This has resulted in a raft of measures for increased regulation including, without limitation Article 122a of Directive 2006/48/EC (as amended by Directive 2009/111/EC, and which together with Directive 2006/49/EC forms the second Capital Requirements Directive or "**CRD 2**") ("**Article 122a**") of the CRD and Directive 2009/138/EC ("**Solvency II**") which are currently at various stages of implementation and which may have an adverse impact on the regulatory capital charge to certain investors in securitisation exposures and/or the incentives for certain investors to hold asset-backed securities, and may thereby affect the liquidity of such securities. Investors in the Notes are responsible for analysing their own regulatory position and none of the Issuer, the Lead Manager, the Arranger, the Seller or any Asset Seller makes any representation to any prospective investor or purchaser of the Notes regarding the regulatory capital treatment of their investment (or the liquidity of such investment as a result thereof) on the Closing Date or at any time in the future.

In particular, investors should be aware of Article 122a (as amended). Article 122a applies where certain credit institutions become exposed to the credit risk of a securitisation position issued under securitisations established after 31 December 2010, and imposes certain restrictions and requirements on such credit institutions as investors, as well as on the sponsors and/or originators with respect to such securitisations. Failure to comply with one or more of the restrictions or requirements set out in Article 122a may result in the imposition of a penal regulatory charge on the Notes acquired by the relevant investor. Investors which are EU regulated credit institutions should make themselves aware of the requirements of Article 122a (and any implementing rules in relation to a relevant jurisdiction). There remains considerable uncertainty with respect to Article 122a and it is not clear what is required to demonstrate compliance to national regulators. Investors who are uncertain as to the requirements that will need to be complied with in order to avoid the additional regulatory capital charges for non-compliance with Article 122a and any implementing rules in a relevant jurisdiction should seek guidance from their regulator. Similar requirements to those set out in Article 122a are expected to be implemented for other EU regulated investors (such as investment firms, insurance and reinsurance undertakings, UCITS funds and certain hedge fund managers) in the future.

In general, Article 122a, Solvency II and any other changes to the regulation or regulatory treatment of the Notes for some or all investors may negatively impact the regulatory position of individual investors and, in addition, have a negative impact on the price and liquidity of the Notes in the secondary market.

Legal considerations may restrict certain investments

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor of the Notes should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Securitisation Company Tax Regime

The Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296) (the "**TSC Regulations**") were made under section 84 of the Finance Act 2005 on 11 December 2006 (and now take effect under Chapter 4, Part 13 of the Corporation Tax Act 2010). The TSC Regulations deal with the corporation tax position of securitisation companies such as the Issuer with effect for periods of account beginning on or after 1 January 2007. The TSC Regulations have been amended by, in particular, the Taxation of Securitisation Companies (Amendment) Regulations 2007, which came into force on 27 December 2007 (and have effect for periods beginning on or after 1 January 2007).

If the TSC Regulations apply to a company, then, broadly, it will be subject to corporation tax on the cash profit retained by it for each accounting period in accordance with the transaction documents. Based on advice received, the Issuer expects to be taxed under the special tax regime for which provision is made by the TSC Regulations.

Investors should note, however, that the TSC Regulations do not deal with all of the details of the relevant requirements and thus reliance on published guidance is required in certain cases. Accordingly, advisors will rely significantly upon guidance from the UK tax authorities when advising on the scope and operation of the TSC Regulations including whether any particular company falls within the new regime provided for by the TSC Regulations.

Prospective Noteholders should note that if the Issuer did not fall to be taxed under the new regime provided for by TSC Regulations then its profits or losses for tax purposes might be different from its cash position. Any unforeseen taxable profits in the Issuer could have an adverse affect on its ability to make payments to the Noteholders.

Considerations relating to the Obligors

Hedging Risks; Derivatives

The Borrower has entered into the Borrower Swaptions in respect of the Property Loans (see section entitled "*Other Borrower Transaction Documents – Borrower Swaptions*" for further information) and may utilise further derivative financial instruments for risk management purposes, the use of which is a

highly specialised activity that may entail greater than ordinary investment risks. Any such hedging transactions may not be effective in mitigating risk in all market conditions or against all types of risk (including unidentified or unanticipated risks), thereby resulting in losses to the Noteholder. Engaging in hedging transactions may result in a poorer overall performance for the Borrower than if it had not engaged in any such hedging transaction, and the Asset Manager on behalf of the Borrower may not be able to effectively hedge against, or accurately anticipate, certain risks that may adversely affect the Property Loans or any New Property Loans. In addition, the Property Loans and any New Property Loans will always be exposed to certain risks that cannot be fully or effectively hedged, such as credit risk relating both to particular securities and counterparties. The Borrower will utilise any such hedging transactions only for those positions determined by the Asset Manager in its sole discretion.

Special purpose entity

Special purpose entity ("SPE") covenants are generally designed to limit the activities and purposes of the borrowing entity to owning the related properties, making payments on the related loan and taking such other actions as may be necessary to carry out the foregoing in order to reduce the risk that circumstances unrelated to the loan and related properties result in a borrower bankruptcy. SPEs are generally used in commercial loan transactions to satisfy requirements of institutional lenders and recognised statistical rating organisations. In order to minimise the possibility that SPEs will be the subject of bankruptcy proceedings, provisions are generally contained in the borrower's organisational documents and/or documentation relating to a mortgage loan that, amongst other things, limit the indebtedness that can be incurred by such entities and restrict such entities from conducting business as an operating company (thus limiting exposure to outside creditors). Additional debt increases the possibility that the Borrower would lack the resources to pay the Senior Loan.

The Senior Facility Agreement contains provisions that require each Obligor to conduct itself in accordance with certain SPE covenants, which may include some or all of the foregoing. However, there can be no assurance that each Obligor will comply with the SPE covenants. In addition, there can be no assurance that all or most of the restrictions customarily imposed on SPEs by institutional lenders and recognised rating agencies will be complied with by each Obligor, and even if all or most of such restrictions have been complied with by each Obligor, there can be no assurance that such Obligor will not nonetheless become insolvent. However, failure by an Obligor to comply with such covenants would (after the expiry of any applicable grace period) lead to a Loan Event of Default.

An insolvency of an Obligor (or any breach of any SPE covenant, after the expiry of any applicable grace period) would result in a Loan Event of Default giving rise to rights to accelerate the Senior Loan and rights to enforce the Borrower Security. This could result in significant delays in the receipt by the Issuer of payments under the Senior Loan which could adversely affect its ability to make all payments due on the Notes.

Borrower's Ability to Meet its Obligations in Respect of the Senior Loan

Payments in respect of the Notes are dependent on, and limited to, the receipt of funds under the Senior Loan and, where necessary and applicable, the Liquidity Facility Agreement. In turn, recourse on the Senior Loan is limited to the receipt of funds under the Property Loans and any New Property Loans which in turn is generally limited to the Asset Level Borrowers, the Asset Level Obligors, any New Asset Level Obligors and/or the Asset Level Properties or other assets, security over which has been created to secure the Property Loans and any New Property Loans.

The Asset Level Borrowers' and any New Asset Level Obligors' ability to make payments due under the Property Loans and any New Property Loans will be subject to the risks generally associated with investment in commercial property. These risks include adverse changes in general or local economic conditions, the financial condition of the tenants at the Asset Level Properties, vacancy levels, property and rental values generally and in the locality of the Asset Level Properties, interest rates, property tax rates, other operating expenses or the need for capital expenditure, inflation, the supply of and demand for office, retail and industrial properties and development land, planning laws, building codes or other governmental regulations and policies (including environmental restrictions), competitive conditions (including changes in land use and construction of new competitive properties) which may affect the ability of an Asset Level Borrower or any New Asset Level Obligor to obtain or maintain full use of a Asset Level Property, war, civil disorder, acts of terrorism, acts of God (such as floods), and other factors beyond the control of the Asset Level Borrowers and any New Asset Level Obligors. These and other

factors may make it impossible for a Asset Level Property to generate sufficient income to make full and timely payments on the related Property Loan or (if applicable) New Property Loan.

Given the above, the ability of the Borrower to make payments on the Senior Loan prior to the Loan Expected Maturity Date, and therefore, the ability of the Issuer to make payments on the Notes prior to the Final Maturity Date, is dependent on the Borrower receiving funds under the Property Loans and any New Property Loans.

If, following the occurrence of a Loan Event of Default and following the exercise by the Servicer or, as may be the case, the Special Servicer, the Senior Agent or the Borrower Security Trustee of all available remedies in respect of the Senior Loan and any Borrower Security, the Issuer does not receive the full amount due from the Borrower or the Obligors, the Noteholders (or the holders of certain classes of Notes) may receive by way of principal repayments an amount less than the face value of their Notes and the Issuer may be unable to pay in full interest due on the Notes.

Risks Relating to Other Indebtedness, Liabilities and Financings of the Borrowers or Obligors

The existence of indebtedness incurred by the Borrower or an Obligor other than the Senior Loan could adversely affect the financial viability of the Borrower or such Obligor. Additional debt increases the likelihood that the Borrower would lack the resources to perform on both the Senior Loan and such additional debt. In addition, the existence of any actual or contingent liabilities of the Borrower or an Obligor may result in the insolvency or (if applicable) administration of the Borrower or that Obligor which may lead to an unanticipated default under the Senior Loan.

As described above under "*Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Undertakings – General*", the Senior Finance Documents provide limitations on the right of the Borrower and the other Obligors to incur additional debt, on either a secured or unsecured basis, without the consent of the lenders. However, the Senior Finance Documents permit these entities to incur various specified types of indebtedness to third parties including indebtedness arising under the Mezzanine Funding Protocol, Asset/REO Property Consideration Loans, the Junior Facility Agreement and their related finance documents and subordinated intra-group loans.

However, investors should note that any claims of creditors of the Senior Loan, Asset/REO Property Consideration Loans, Junior Debt, Affiliated Mezzanine Debt and subordinated intra-group debt are regulated by the terms of the Security Trust and Intercreditor Deed which provides for the claims of creditors of the Junior Debt, Affiliated Mezzanine Debt and subordinated intra-group debt to be subordinated to those of creditors of the Senior Debt and for the enforcement of the Borrower Transaction Security to be controlled by the Senior Finance Parties (see "*Security Trust and Intercreditor Deed*"). Investors should also note that the Junior Loan Facility is fully drawn and that Mezzanine Debt is the only other option available to the Obligors for the purpose of further funding.

Any Third Party Mezzanine Debt may only be entered into if no insolvency Loan Event of Default has occurred or would occur as a result of the Borrower incurring any Intercompany Mezzanine Debt and any Third Party Mezzanine Debt must be subject to the terms of intercreditor arrangements complying with the restrictions set out in the Senior Facility Agreement (see "*Mezzanine Funding – Senior Facility Undertakings – Mezzanine debt*").

Considerations relating to the Property Loans and Asset Level Properties

Real Estate Risk

Real Estate Risks Generally: Deterioration of real estate fundamentals will negatively impact the performance of the Borrower. Such changes in fundamentals could involve fluctuations as a result of general and local economic conditions, overbuilding and increased competition, increases in property taxes and operating expenses, changes in environmental and zoning laws, casualty or condemnation losses, environmental liability, regulatory limitations on rents, changes in neighbourhood values, changes in the appeal of properties to tenants, the availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable, natural disasters, increase in interest rates and other factors that are beyond the control of the Asset Manager. The value of securities of companies which service the real estate business sector may also be affected by such risks.

Risks of Real Estate Loans and Participations: The Property Loans originally acquired by the Borrower may be at the time of their acquisition, or may become after acquisition, nonperforming for a wide variety of reasons. Such nonperforming real estate loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and a substantial writedown of the principal of such loan. See the section entitled "*Property Loan Summaries*" for a key summary of the Property Loans acquired by the Borrower. However, even if a restructuring were successfully accomplished, a risk exists that, upon maturity of such real estate loan, replacement "takeout" financing will not be available. Purchases of participations in real estate loans raise many of the same risks as investments in the Property Loans and also carry risks of illiquidity and lack of control. It is possible that the Asset Manager may find it necessary or desirable to foreclose on collateral securing one or more of the Property Loans purchased by the Borrower. The foreclosure process varies jurisdiction by jurisdiction and can be lengthy and expensive. Borrowers often resist foreclosure actions by asserting numerous claims, counterclaims and defenses against the holder of a real estate loan including, without limitation, lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure action. In some states or other jurisdictions, foreclosure actions can take up to several years or more to conclude. During the foreclosure proceedings, a borrower may have the ability to file for bankruptcy, potentially staying the foreclosure action and further delaying the foreclosure process. Foreclosure litigation tends to create a negative public image of the collateral property and may result in disrupting ongoing leasing and management of the property.

Environmental Liabilities: The Obligors may be exposed to substantial risk of loss arising from investments involving undisclosed or unknown environmental problems, health or occupational safety matters, or inadequate reserves, insurance or insurance proceeds for such matters that have been previously identified. Under the laws, rules and regulations of various jurisdictions, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances, including asbestos, on or in such property. Such laws may impose joint and several liability, which can result in a party being obligated to pay for greater than its share, or even all, of the liability involved. Such liability may also be imposed without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances and the person bearing liability may incur substantive costs in defending claims of liability. The cost of any required remediation and the owner's liability therefore as to any property are generally not limited under such laws and could exceed the value of the property and/or the aggregate assets of the owner. The presence of such substances, or the failure to properly remediate contamination from such substances, may adversely affect the owner's ability to sell the real estate or to borrow funds using such property as collateral, which could have an adverse effect on the Obligors' return from the Property Loans or any New Property Loans. Environmental claims with respect to a specific Property Loan or any New Property Loans may exceed the value of such Property Loan or such New Property Loans, and under certain circumstances, subject the other assets of an Obligor to such liabilities. In addition, some environmental laws create a lien on contaminated property in favour of governments or government agencies for costs they may incur in connection with the contamination.

The ongoing presence of environmental contamination, pollutants or other hazardous materials on a property (whether known at the time of acquisition or not) could also result in personal injury (and associated liability) to persons on the property and persons removing such materials, future or continuing property damage (which may adversely affect property value) or claims by third parties, including as a result of exposure to such materials through the spread of contaminants.

In addition, the Obligors' operating costs and performance may be adversely affected by compliance obligations under environmental protection statutes, rules and regulations relating to the Property Loans or any New Property Loans of the Obligors, including additional compliance obligations arising from any change to such statutes, rules and regulations. Statutes, rules and regulations may also restrict development of, and use of, property. Certain clean-up actions brought by state, country and local agencies and private parties may also impose obligations in relation to the Property Loans and any New Property Loans and result in additional costs to the Obligors.

Portfolio Risk

Diversification: The repayment of the Notes may be adversely affected by the unfavourable performance of a single Property Loan or New Property Loan.

Non-Controlling Property Loans: The Borrower or a WorkoutCo holds a non-controlling minority interest in some Property Loans (which may also apply to any New Property Loans) and, therefore, may have a limited ability to protect its position in such Property Loans (or New Property Loans).

Illiquid and Long-Term Property Loans: Although the Property Loans are expected to generate some current income, the principal repayment of the Senior Loan, if any, from a Property Loan or any New Property Loans will occur only upon the repayment, partial or complete disposition or refinancing of such Property Loan or New Property Loan.

Historic Documentation Risk

Given the historic nature of the Asset Level Properties and the number of amendments made to the Asset Level Finance Documents since origination, the Asset Sellers were unable to locate all of the underlying Asset Level Finance Documents (and, in particular, some of the original executed versions of those Asset Level Finance Documents). Prior to entering into the Asset Loan Sale Agreement, the Asset Sellers instructed lawyers to undertake a due diligence exercise to enable them to make the Core Representations included in the Asset Loan Sale Agreement (See "*Summary of the Borrower Transaction Documents – Borrower Asset Sale Documents – Asset Loan Sale Agreement – Core Warranties relating to the Assets*"). The Asset Level Finance Documents which have been identified as missing as a result of that due diligence are unlikely to be material in the context of the portfolio as a whole because: (a) in relation to most of the Property Loans only a small number of Asset Level Finance Documents have been identified as being missing and, in most instances, these Asset Level Finance Documents only appear to relate to specific Asset Level Properties secured under the relevant Asset Level Loan Agreement; and (b) where there are several Asset Level Finance Documents missing in relation to one specific Property Loan, the relevant Property Loans are not material in the context of the portfolio as a whole. However, where certain of the Asset Level Finance Documents have not been located, it could transpire that an Asset Level Finance Document which has not been located is material even in the context of the portfolio as a whole and the Noteholders may be adversely affected.

Historic Due Diligence

The Property Loans were originated between 2002 and 2009. As a result, any due diligence carried out on the origination of the Property Loans including valuations, environmental due diligence, technical due diligence, property due diligence and financial information is likely to be out of date and may not have been updated subsequently. Depending on the terms of the relevant Asset Level Finance Documents, the Obligors may not have the right to require the Asset Level Obligors to update or refresh information previously obtained. Where the Asset Level Obligors are obliged under the terms of the Asset Level Finance Documents to update information previously provided to the finance parties or to provide additional information, there may be instances where Asset Level Obligors have failed to comply with these provisions and, as a result, the Obligors may not have knowledge of all material matters affecting the Property Loans.

In addition, although due diligence was undertaken by the Borrower when it acquired the Property Loans from the Asset Sellers, the level of due diligence was determined in the context of the type of portfolio, the reports and valuations available to the Borrower and the Core Representations that were included in the Asset Loan Sale Agreement (See "*Summary of the Borrower Transaction Documents – Borrower Asset Sale Documents – Asset Loan Sale Agreement – Core Warranties relating to the Assets*"). As indicated in "*Risks of Real Estate Loans and Participations*" above it is possible that the Property Loans and any New Property Loans may require enforcement, a substantial amount of workout negotiations and/or restructuring (sometimes in situations where Asset Level Obligors or any New Asset Level Obligors may be resisting the action being taken by the Borrower). The Borrower and the Asset Manager may carry out additional due diligence on the Property Loans and any New Property Loans depending on the relevant Workout Strategy (see "*Asset Management – Business Plans and Workout Strategies*"). It cannot be certain that in all cases that a "preferred" realisation strategy for a Property Loan or New Property Loan will be capable of execution and so this may adversely impact the realisation value achievable by the Obligors.

Considerations relating to the Property Loans and the Asset Level Security

Multi-Southgate Property Loan

The Asset Level Borrower under the Multi-Southgate Property Loan (the "**Multi-Southgate Borrower**") does not own any Asset Level Properties but instead owns fifty per cent. of the units in the Southgate Property Unit Trust which owns a 99.99 per cent. interest in the Southgate Limited Partnership in its capacity as limited partner. Multi-Corporation BV, the ultimate parent company of the Multi-Southgate Borrower (the "**Multi-Southgate Parent**") also indirectly owns Multi-Southgate (GP) Limited which owns 50 per cent. of the shares of Southgate GP Limited (the general partner in the Southgate Limited Partnership) which in turn owns the nominee companies which own the underlying property (the "**Multi-Southgate Property**"). Under the partnership deed, the Southgate Limited Partnership is entitled to receive income in relation to the Multi-Southgate Property, which is then distributed to the Southgate Property Unit Trust.

Security has been granted in favour of the finance parties (including the applicable Obligor) over the units held by the Multi-Southgate Borrower in the Southgate Property Unit Trust and security has also been taken over the shares of Multi Southgate (GP) Limited and the Multi-Southgate Borrower. In addition, the Multi-Southgate Parent has guaranteed the performance of the Multi-Southgate Borrower under the finance documents, the payment of certain development costs, the payment of certain tax liabilities and has issued a completion guarantee (subject in each case to certain limits and qualifications) (*See Property Loan Summaries - Loan 14/Connection ID 12 - Multi-Southgate £55.1 million loan secured against one shopping centre – Collateral – Security Package*).

However, no mortgage security has been granted over the Multi-Southgate Property in favour of the applicable Obligor and the other relevant finance parties and no security has been granted in favour of those finance parties over the entities which legally and beneficially own the Multi-Southgate Property. In addition, as the Multi-Southgate Borrower does not control the Southgate Limited Partnership or the nominees, there are no restrictions on the ability of those parties to grant security over any of their assets (including the Multi-Southgate Property) to third parties. There is a risk, therefore, that security could be granted over their assets (including the Multi-Southgate Property) in favour of a third party, which would result in the Borrower becoming structurally subordinated.

In addition, as the Multi-Southgate Borrower does not control the nominees, the Southgate Limited Partnership or the Southgate Property Unit Trust, there is a risk that rental and other income may not be paid by the Southgate Limited Partnership to the Southgate Property Unit Trust and that the Southgate Property Unit Trust may not distribute any income received by it to the Multi-Southgate Borrower. Until such income is distributed to the Multi-Southgate Borrower, the applicable Obligor and the other finance parties under the Asset Level Loan Agreement in relation to the Multi-Southgate Property Loan (the "**Multi-Southgate Loan Agreement**") will have no security over those funds. The Multi-Southgate Loan Agreement does require the Multi-Southgate Borrower to procure that any income is distributed to the unit holders but, if the Multi-Southgate Borrower is unable to procure this, the Noteholders may be adversely affected.

The Multi-Southgate Property is currently held on a 60 year lease from the local council. The Southgate Limited Partnership is required under a Section 106 agreement to complete the renovation of a train station and vaults adjacent to the Multi-Southgate Property by 31 December 2013 in order to obtain a 250 year ground lease. Work has started on the station and the vaults and it is expected to be completed by the end of November 2012. If the work is not completed by 31 December 2013 or the 250 year ground lease is not obtained it may materially affect the ability of the Southgate Limited Partnership to dispose of the Multi-Southgate Property and the Noteholders may be adversely affected.

Considerations Relating to the Asset Manager

No Operating History: Although key members of the management team of the Asset Manager have extensive investment experience investing in the real estate and debt markets, the Borrower is a newly formed entity. The past performance of the key members of the management team of the Asset Manager may not be indicative of the future performance of the Borrower. See the section of this Prospectus entitled "*Asset Management*" for further information.

Reliance on Key Management Personnel: The success of the Borrower's strategy will depend, in large part, upon the skill and expertise of the management team and the other key personnel of the Asset Manager and its affiliates to implement investment strategies that achieve the Borrower's objective. In the event of the death, disability or departure of key personnel of the Asset Manager or its affiliates, the business and the performance of the Borrower may be adversely affected. The Asset Manager and certain of its officers and employees will devote such time and effort as may reasonably be required to enable the Asset Manager to discharge its duties and obligations under the Management Agreement. However, they will not be required to devote all of their working time to the affairs of the Borrower.

Lack of Control: The day-to-day operations of each Property Loan will be the responsibility of the Asset Manager's team. Although the Asset Manager will be responsible for monitoring the performance of each Property Loan there can be no assurance that the Asset Manager's existing management team, or any successor, will be able to operate the companies in accordance with their Business Plan. As the Borrower holds (or may hold) a non-controlling minority interest in some of the Property Loans, the Asset Manager will have limited control over the day-to-day operations of a Property Loan where the Borrower's rights are restricted by the terms of the Asset Level Finance Documents, particularly where the Borrower is a junior lender under a Property Loan. Under the Management Agreement, the discretion of the Asset Manager to perform its services is restricted in certain circumstances where it will need to seek the consent of HoldCo, for example, if the Asset Manager wishes to change some key elements of the way it approaches the potential workout or resolution of a Property Loan. (See "*Asset Management – Entrenched Rights*").

The Servicer or, as may be the case, the Special Servicer will service the Senior Loan pursuant to the terms of the Servicing Agreement. However, the Servicer or, as may be the case, the Special Servicer will have no control rights over the day-to-day operations of the Property Loans which will remain the responsibility of the Asset Manager.

Uncertainty of Financial Projections. The Asset Manager may determine the suitability of any potential Workout Strategy for each Property Loan based in part on the basis of financial projections for such Property Loan. Projections, forecasts and estimates are forward-looking statements and are based upon certain assumptions. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed.

PRINCIPAL CHARACTERISTICS OF THE NOTES

The following is a brief overview of the principal characteristics of the Notes offered under this Prospectus. This information is subject to and is more fully explained in the other sections of this Prospectus.

Notes	Class A Notes	Class B Notes	Class C Notes
Minimum Denomination	£100,000 and £1,000 thereafter	£100,000 and £1,000 thereafter	£100,000 and £1,000 thereafter
Principal Amount Outstanding	£230,000,000	£60,000,000	£173,219,000
Reference Interest Rate	Three-Month Sterling LIBOR (interpolation of 2-week and 1-month Sterling LIBOR in respect of the first Note Payment Date) + Margin	Three-Month Sterling LIBOR (interpolation of 2-week and 1-month Sterling LIBOR in respect of the first Note Payment Date) + Margin	Three-Month Sterling LIBOR (interpolation of 2-week and 1-month Sterling LIBOR in respect of the first Note Payment Date) + Margin
Margin	2.55% per annum	4.25% per annum	4.50% per annum
Note Expected Maturity Date ¹	17 January 2016	17 January 2016	17 January 2016
Final Maturity Date	17 October 2038	17 October 2038	17 October 2038
Note Payment Dates	17 April, 17 July, 17 October and 17 January of each year	17 April, 17 July, 17 October and 17 January of each year	17 April, 17 July, 17 October and 17 January of each year
Interest Accrual Method	Actual/365	Actual/365	Actual/365
Frequency of Redemption	In accordance with Condition 7	In accordance with Condition 7	In accordance with Condition 7
Form of Notes	Bearer	Bearer	Bearer
Clearing Systems	Euroclear/Clearstream, Luxembourg	Euroclear/Clearstream, Luxembourg	Euroclear/Clearstream, Luxembourg
Credit Enhancement (provided by other Classes of Notes subordinated to the relevant Class)	Subordination of the Class B Notes and Class C Notes and Issuer General Reserve Account	Subordination of the Class C Notes and Issuer General Reserve Account	Issuer General Reserve Account
Listing	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange
ISIN	XS0782467749	XS0782468556	XS0782469109
Common Code	078246774	078246855	078246910
Expected Rating – S&P	AAA (sf)	AA (sf)	BBB+ (sf)

¹ Based on the Loan Expected Maturity Date, however, investors should be aware that the Notes are expected to mature on an earlier date based on, and subject to, any movement in the operation of the Business Plans (see section entitled "Asset Management" for further information). See also section entitled "Estimated Weighted Average Lives of the Notes and Assumptions" for a description of the assumptions made in calculating the estimated weighted average lives of the Notes.

OVERVIEW OF THE TRANSACTION

A brief introduction to the transaction and transaction structure.

The following is an overview of the transaction. This summary does not purport to be complete and should be read in conjunction with, and is qualified in its entirety by reference to, the more detailed information which appears elsewhere in this Prospectus. Prospective purchasers of the Notes are advised to read carefully, and to rely solely on, the detailed information appearing elsewhere in this Prospectus in making any decision whether or not to invest in any Notes. Capitalised terms used, but not defined, in this section can be found elsewhere in this Prospectus, unless otherwise stated. An index of defined terms is set out in the end of this Prospectus.

Issue of the Notes

The Issuer has been incorporated as a special purpose entity for the purpose of issuing the Notes and entering into the Issuer Transaction Documents.

The Issuer will issue the Notes on 3 October 2012 (the "**Closing Date**") as consideration for (among other things) the acquisition of the Loan Sale Assets (defined under "**Loan Sale Documents**" below in this Section) from the Seller pursuant to the Loan Sale Documents.

The fees and expenses in connection with the issue of the Notes will be met by the Seller. See "*Issue of the Notes*".

The Senior Loan

Pursuant to the terms of a facility agreement, dated 21 December 2011, as amended on 12 January 2012, 10 February 2012, 9 March 2012 and on or about 27 September 2012 (the "**Senior Facility Agreement**"), originally made between, amongst others, RBS in its capacity as lender (the "**Seller**" and the "**Initial Senior Lender**"), Isobel AssetCo Limited as borrower (the "**Borrower**"), the Borrower, Loan Capital Limited, EquityCo and Intermediate HoldCo as Guarantors, RBS as agent (the "**Senior Agent**") and RBS as security trustee (the "**Borrower Security Trustee**"), the Initial Senior Lender made available to the Borrower on 21 December 2011 an up to £600,000,000 term loan facility (the "**Senior Loan Facility**").

The Borrower drew £553,272,242 under the Senior Facility Agreement on 12 January 2012 (the "**Senior Loan**"). The availability period has expired and the Senior Loan is therefore fully drawn. As at 10 July 2012 the principal amount outstanding under the Senior Loan was £501,931,091. The principal amount outstanding under the Senior Loan following the prepayment resulting from the disposal of the Marlow Asset on 27 July 2012 was £463,219,111.

Loan Sale Documents

On the Closing Date, the Issuer will issue the Notes to the Seller as initial consideration for the acquisition by the Issuer from the Seller, pursuant to the terms of a loan sale agreement to be dated on or about the Closing Date (the "**Issuer Loan Sale Agreement**") and a transfer certificate (the "**Transfer Certificate**" and, together with the Issuer Loan Sale Agreement, the "**Loan Sale Documents**"), of the right, title, interest and benefit of the Seller in the Senior Loan and the Borrower Security, together with any and all of the Seller's rights as a lender under the Senior Finance Documents (together, the "**Loan Sale Assets**"). See "*Summary Of The Issuer Transaction Documents – Loan Sale Documents*".

The Borrower

The Borrower is a company incorporated in England and Wales. The Borrower's business consists of the acquisition, ownership and management of the Assets and related interests, funded principally through the Senior Loan. The primary source of funds for payments of interest and principal in respect of the Senior Loan will be interest and principal income and Net Realisation Proceeds derived from the Obligors' interests in thirty-seven (37)³ commercial property loans (the "**Property Loans**") made to underlying borrowers and guarantors (the "**Asset Level Borrowers**") and together with any related obligor, the "**Asset**

³ This number includes the Marlow Property Loan notwithstanding that the Marlow Asset was sold on 27 July 2012, resulting in a prepayment of the Marlow Property Loan and a resultant partial prepayment of the Senior Loan.

Level Obligors") secured on a variety of properties (the "**Asset Level Properties**"). See "*The Property Loans and the Asset Level Security*".

Intercreditor Arrangements

The relationship between, amongst others, the Borrower Secured Parties is regulated in relation to their respective claims against the Obligors as to payments, subordination, priority and enforcement of the Borrower Transaction Security, pursuant to the terms of a security trust and intercreditor deed entered into on 21 December 2011 and as amended on 12 January 2012, 9 March 2012 and on or about 27 September 2012 (the "**Security Trust and Intercreditor Deed**"). See "*Intercreditor Arrangements*".

Source of Funds for Payments on the Notes

The payment of interest and repayment or, as the case may be, prepayment of principal by the Borrower or, as the case may be, the Guarantors in respect of the Senior Loan will provide the primary source of funds for the Issuer to make payments of interest and repayments (or prepayments) of principal under the Notes.

In the event that the Issuer has insufficient funds to make payment on the Notes on any Note Payment Date it may, in certain circumstances and after having utilised any funds held in the Issuer General Reserve Account, make drawings on the Liquidity Facility to cover shortfalls in the amounts available to the Issuer to make payments of interest due on each Class of Notes and the items ranking in priority thereto in the Issuer Payment Priorities.

The obligations of the Issuer in respect of the Notes will rank in the following order in point of priority, as to payments of interest:

- (a) *first, pro rata* and *pari passu* without preference amongst themselves, the Class A Notes;
- (b) *second, pro rata* and *pari passu* without preference amongst themselves, the Class B Notes; and
- (c) *third, pro rata* and *pari passu* without preference amongst themselves, the Class C Notes.

In respect of the Issuer's obligations to make payments of principal on the Notes, Available Principal Funds will be allocated to the redemption of the Notes sequentially beginning with the Most Senior Class of Notes then outstanding.

Assets

The Assets were acquired by the Borrower from RBS, NatWest and RBSI (together the "**Asset Sellers**") on 12 January 2012 pursuant to the terms of a loan sale agreement entered into on 21 December 2011 as amended on 12 January 2012 (the "**Asset Loan Sale Agreement**") and a declaration of trust deed entered into on 12 January 2012 (the "**Declaration of Trust Deed**"). See "*Summary of the Borrower Transaction Documents – Borrower Asset Sale Documents*".

References to the Assets, Property Loans and Asset Level Borrowers in this Prospectus also refers to any New Assets, New Property Loans and New Asset Level Obligors, where relevant, following a Credit Bid Restructuring Event.

Principal Security for the Senior Secured Obligations

The Borrower's obligations under the Senior Facility Agreement and the other Borrower Transaction Documents in respect of the Senior Loan are secured primarily by the Borrower and the other Obligors granting fixed and floating security over their property, undertaking and assets pursuant to the Borrower Debenture and the Borrower Irish Debenture. See "*Senior Facility Agreement and Borrower Transaction Security – Borrower Security Documents*".

As further security for the payment of the Senior Loan, pursuant to the Intermediate HoldCo Shares Charge, Mezzanine Borrower HoldCo has granted fixed security over the entire issued share capital of Intermediate HoldCo. See "*Senior Facility Agreement and Borrower Transaction Security – Borrower Transaction Security – Intermediate HoldCo Shares Charge*".

In addition, the Guarantors have guaranteed the obligations of the Borrower and each other Guarantor pursuant to the terms of the Senior Facility Agreement. See "*Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Guarantee*".

For an abbreviated diagrammatic representation of the corporate structure of the Borrower, see "*Overview of the Transaction – Diagrammatic Summary of the Isobel Group*".

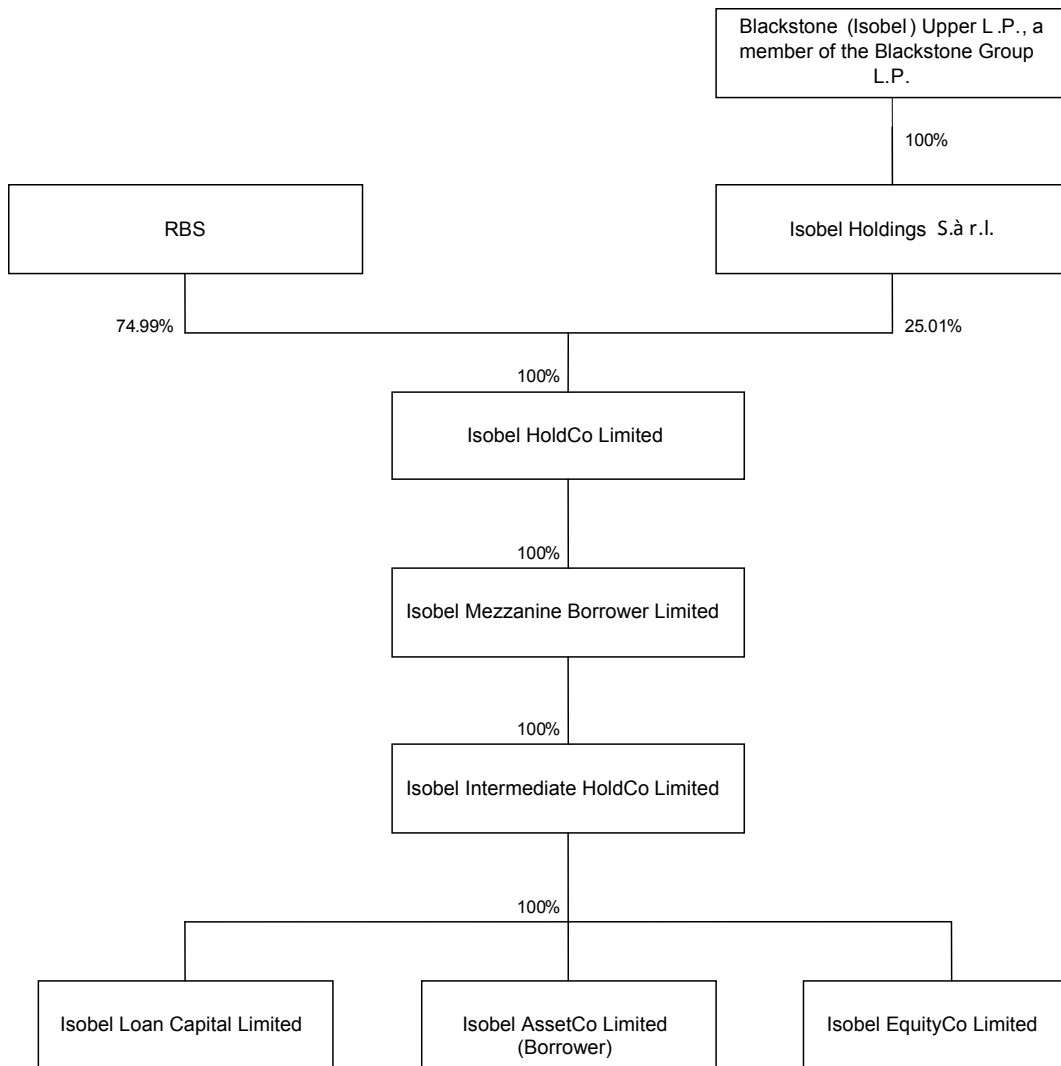
Security for the Issuer's Obligations

The Issuer's obligations under the Notes and the Issuer Transaction Documents (other than the Trust Documents) will be secured by, amongst other things, the Issuer granting fixed and floating security over all its property, undertaking and assets and the Issuer assigning the benefit of certain security which it enjoys as a secured creditor under the Senior Finance Documents in favour of the Note Trustee for itself and on behalf of the Issuer Secured Parties pursuant to the Deed of Charge. See "*Summary Of The Issuer Transaction Documents – Deed Of Charge*" and Condition 4 (*Security*).

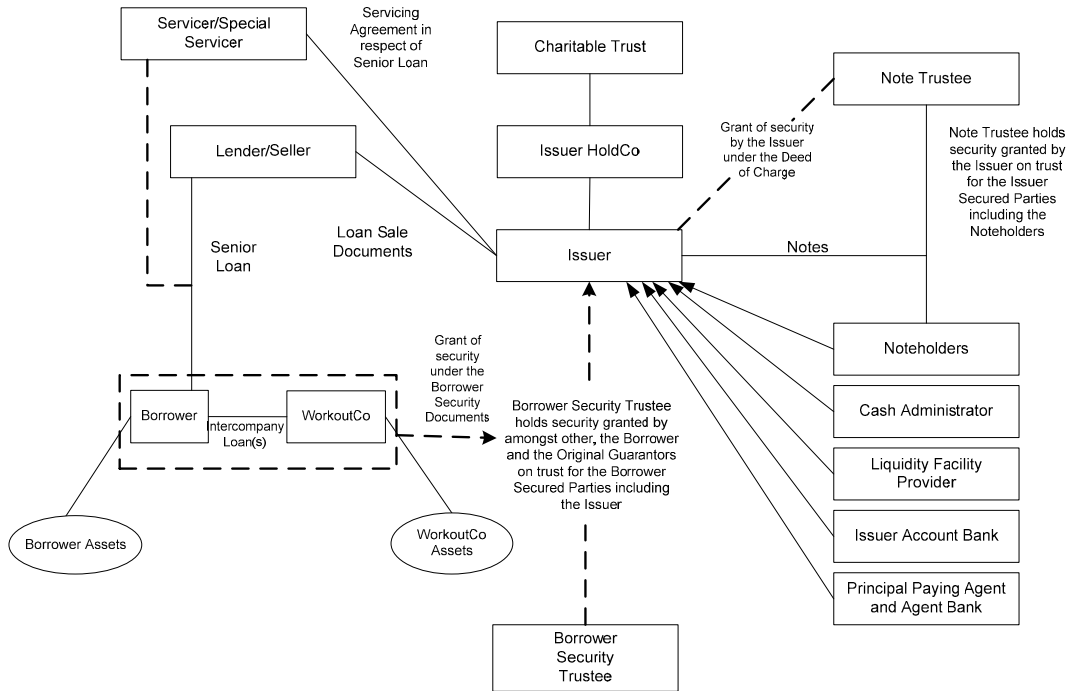
The Deed of Charge will determine the post-enforcement priority of payments of the Issuer Secured Parties. See "*Summary Of The Issuer Transaction Documents – Deed Of Charge – Issuer Post-Enforcement Priority of Payments*".

For a diagrammatic overview of the transaction described in this Prospectus, see "*Overview Of The Transaction – Diagrammatic Summary Of The Transaction*".

DIAGRAMMATIC SUMMARY OF THE ISOBEL GROUP



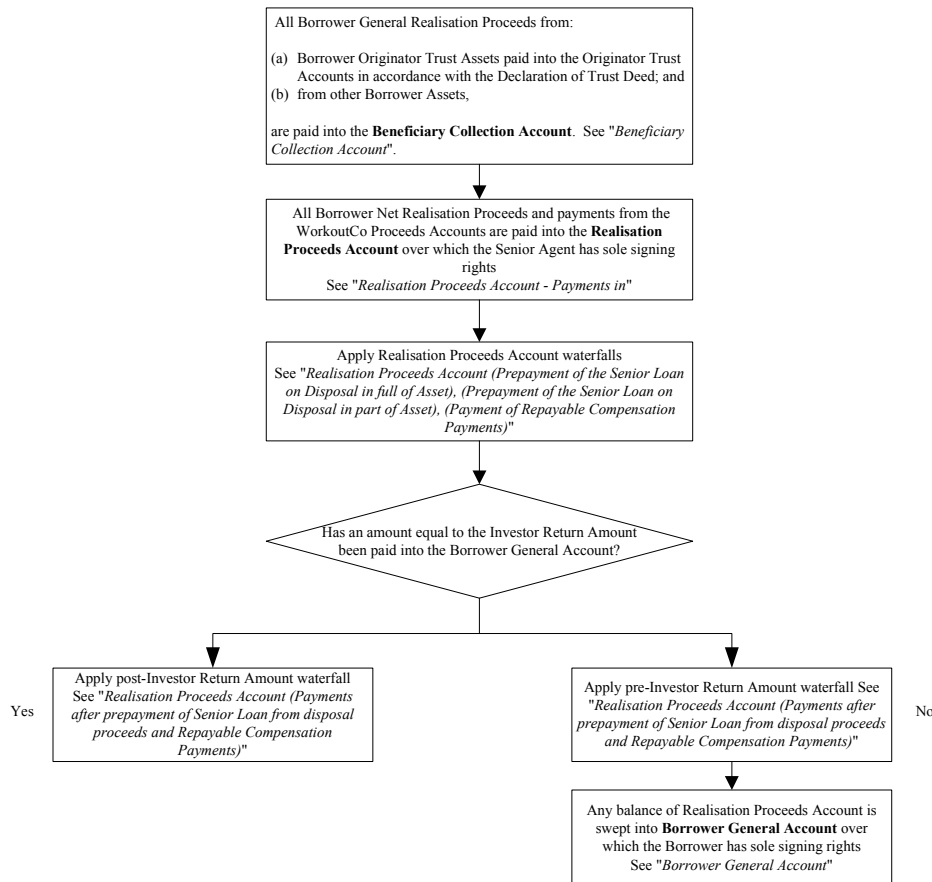
DIAGRAMMATIC SUMMARY OF THE TRANSACTION



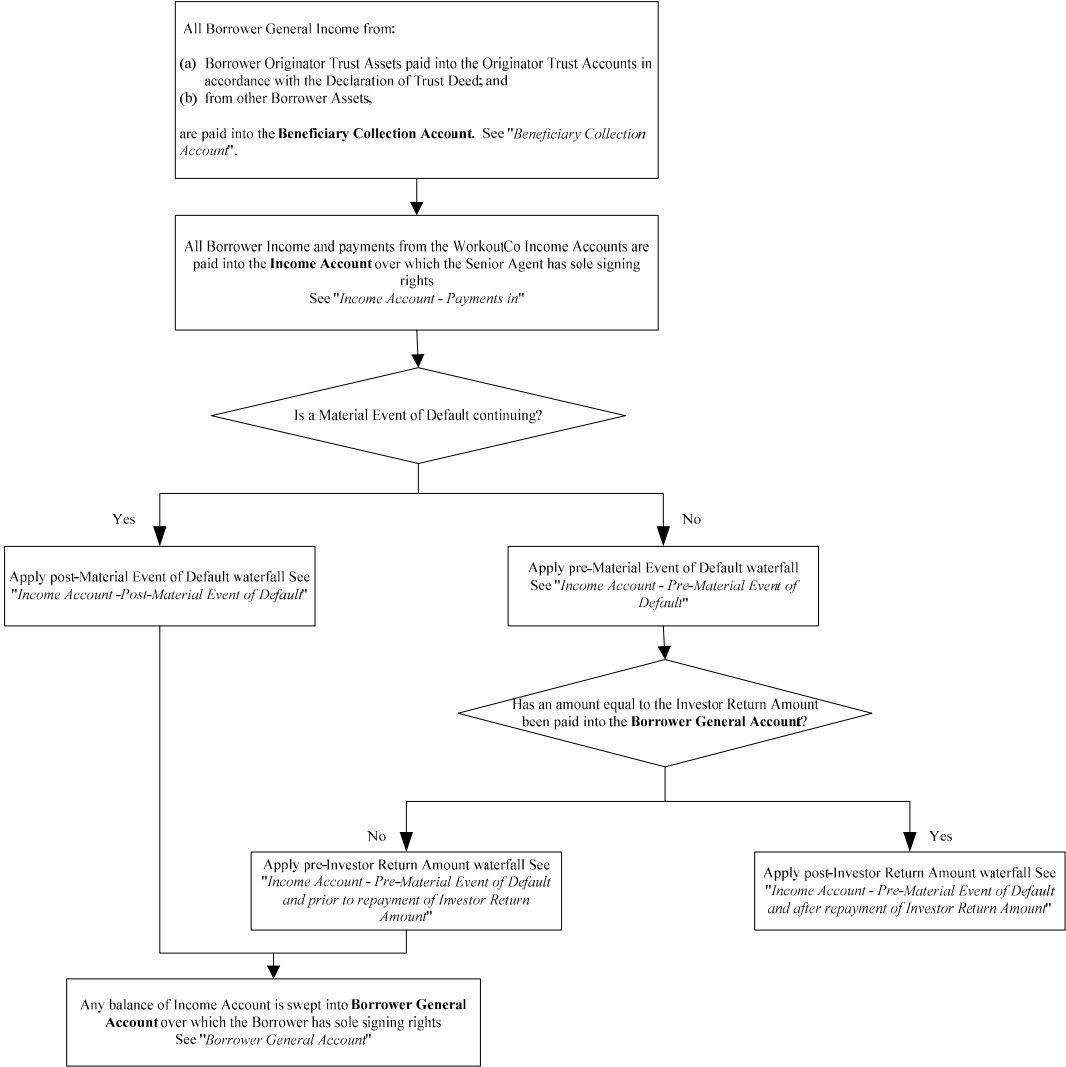
BORROWER INCOME AND REALISATION PROCEEDS FLOWCHART

The diagrams below are a broad summary of the Borrower income and realisation proceeds cash flows under the Borrower Transaction Documents. They do not purport to provide detailed summaries of such provisions and are qualified in their entirety by the more detailed provisions set out in the section entitled "*Security Trust and Intercreditor Deed – Borrower and WorkoutCo Control Accounts*". All more specific references to sub-sections in the diagrams below are references to sub-sections of the section entitled "*Security Trust and Intercreditor Deed – Borrower and WorkoutCo Control Accounts*".

BORROWER REALISATION PROCEEDS

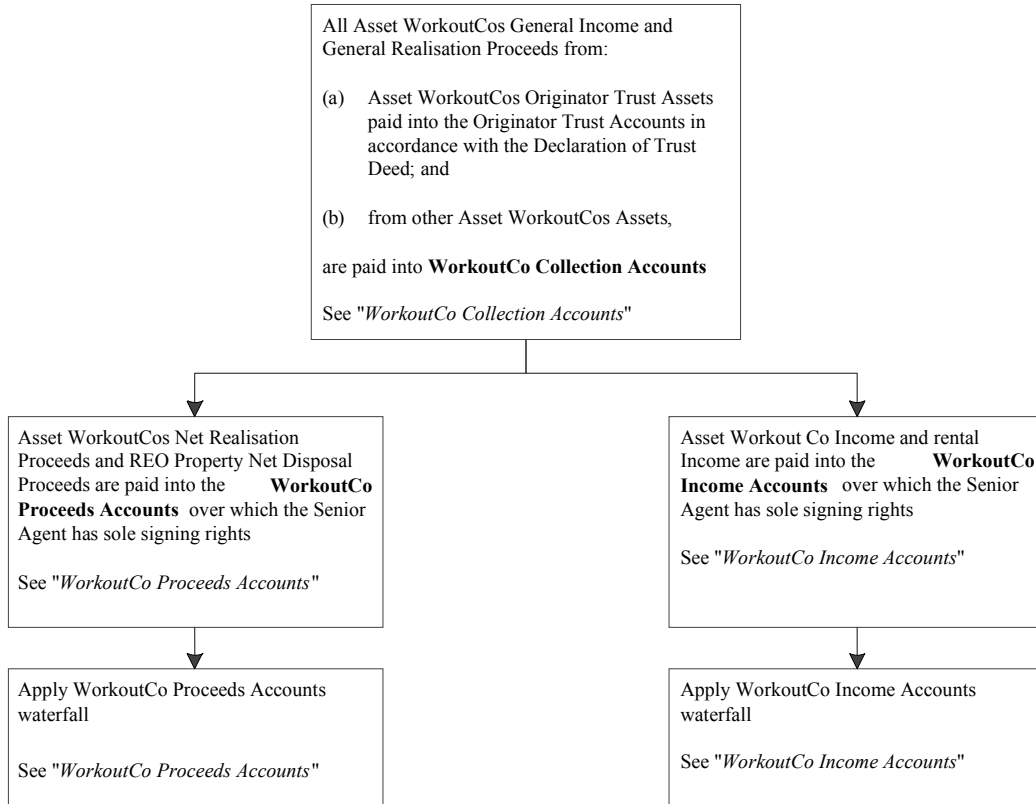


BORROWER INCOME



WORKOUTCO INCOME AND REALISATION PROCEEDS FLOWCHART

The diagram below is a broad summary of the WorkoutCo income and realisation proceeds cash flows under the Borrower Transaction Documents. It does not purport to provide a detailed summary of such provisions and is qualified in its entirety by the more detailed provisions set out in the section entitled "*Security Trust and Intercreditor Deed – Borrower and WorkoutCos Control Accounts*". All more specific references to sub-sections in the diagram below are references to sub-sections of the section entitled "*Security Trust and Intercreditor Deed – Borrower and WorkoutCos Control Accounts*".



THE PARTIES

NOTE LEVEL COUNTERPARTIES

Issuer: Isobel Finance No. 1 plc (the "**Issuer**"), a public limited liability company incorporated under the laws of England and Wales on 3 February 2012, with registered number 7934515, having its registered office at 35 Great St. Helen's, London EC3A 6AP.

The Issuer is a special purpose entity with limited permitted activities. Its principal activities will comprise, amongst other things, issuing the Notes as consideration for (amongst other things) the acquisition of the Loan Sale Assets pursuant to the Loan Sale Documents. See "*The Issuer*".

Issuer HoldCo: Isobel Finance HoldCo No. 1 Limited ("**Issuer HoldCo**"), a private limited liability company incorporated under the laws of England and Wales on 7 December 2011, with registered number 7874077, having its registered office at 35 Great St. Helen's, London EC3A 6AP.

Issuer HoldCo is a special purpose entity with limited permitted activities. Issuer HoldCo's entire issued share capital is held by SFM Corporate Services Limited, a company registered in England and Wales with registered number 3920255 and having its registered address at 35 Great St. Helen's, London EC3A 6AP (in such capacity, the "**Issuer HoldCo Share Trustee**"). The shares held by the Issuer HoldCo Share Trustee are held under the terms of a discretionary trust established under English law pursuant to the terms of a declaration of trust. See "*Issuer HoldCo*".

Issuer HoldCo holds the entire issued share capital of the Issuer. See "*Issuer HoldCo*".

Note Trustee: Deutsche Trustee Company Limited, whose principal office is Winchester House, 1 Great Winchester Street, London EC2N 2DB (in such capacity, the "**Note Trustee**") will be appointed as trustee for the holders from time to time of the Notes pursuant to a trust deed to be dated on or about the Closing Date (the "**Note Trust Deed**") between the Issuer and the Note Trustee. See "*Summary Of The Issuer Transaction Documents – Note Trust Deed*".

The Note Trustee will also hold the security granted by the Issuer pursuant to a deed of charge to be dated on or about the Closing Date (the "**Deed of Charge**") between the Issuer and the Note Trustee on trust for the Issuer Secured Parties and will be entitled to enforce the Issuer Security subject to and in accordance with the terms of the Deed of Charge. See "*Summary Of The Issuer Transaction Documents – Deed of Charge*" and Condition 12 (*Enforcement*).

Principal Paying Agent and Agent Bank: Deutsche Bank AG, London Branch, acting through its office registered in England and Wales under number BR000005 at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom will provide certain services to the Issuer as principal paying agent (in such capacity, the "**Principal Paying Agent**") and as agent bank (in such capacity, the "**Agent Bank**") pursuant to the terms of an agency agreement to be dated on or about the Closing Date (the "**Agency Agreement**") between the Issuer, the Paying Agents, the Agent Bank and the Note Trustee.

In accordance with the terms of the Agency Agreement, the Paying Agents will make payments on behalf of the Issuer of interest and principal on each Class of Notes. See "*Summary Of The Issuer Transaction Documents – Agency Agreement*".

In accordance with the terms of the Agency Agreement, the Agent Bank will calculate the interest rates applicable to each Class of Notes in accordance with Condition 6 (*Interest*). See "*Summary Of The Issuer Transaction Documents – Agency Agreement*".

Cash Administrator: Deutsche Bank AG, London Branch, acting through its office registered in England and Wales under number BR000005 at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom (in such capacity, the "**Cash Administrator**") will be appointed as cash administrator by the Issuer pursuant to the terms of a cash administration agreement to be dated on or about the Closing Date (the "**Cash Administration Agreement**") between the Issuer, the Note Trustee and the Cash Administrator.

The Cash Administrator will operate the Issuer Accounts and will arrange for the making of payments (having determined the amounts thereof) due from the Issuer and keep certain records on behalf of, amongst others, the Issuer. See "*Summary Of The Issuer Transaction Documents – Cash Administration Agreement*".

Issuer Account Bank: Deutsche Bank AG, London Branch, acting through its office registered in England and Wales under number BR000005 at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom (in such capacity, the "**Issuer Account Bank**") will be appointed to provide certain banking services to the Issuer in relation to the Issuer Accounts to be opened with the Issuer Account Bank in the name of the Issuer pursuant to an account bank agreement to be dated on or about the Closing Date (the "**Issuer Account Bank Agreement**") between the Issuer, the Issuer Account Bank, the Cash Administrator and the Note Trustee.

The Issuer is required to maintain the Issuer Accounts with a bank which has at least the Issuer Account Bank Requisite Rating. See "*Summary Of The Issuer Transaction Documents – Issuer Account Bank Agreement*".

Liquidity Facility Provider: RBS, acting through its office at 135 Bishopsgate, London EC2M 3UR (in such capacity, the "**Liquidity Facility Provider**") will be the lender of the liquidity facility (the "**Liquidity Facility**") pursuant to a liquidity facility agreement to be dated on or about the Closing Date (the "**Liquidity Facility Agreement**") between the Issuer, the Cash Administrator, the Liquidity Facility Provider and the Note Trustee.

The Issuer is required to maintain a liquidity facility with a bank having at least the Liquidity Requisite Rating. See "*Summary Of The Issuer Transaction Documents – Liquidity Facility Agreement*".

Servicer: Capita Asset Services (UK) Limited, a limited liability company incorporated under the laws of England and Wales (with registered number 03376447), acting through its office at 5th Floor, 40 Dukes Place, London, EC3A 7NH (in such capacity, the "**Servicer**") will be appointed to service the Senior Loan on behalf of the Issuer.

Special Servicer: Capita Asset Services (UK) Limited, a limited liability company incorporated under the laws of England and Wales (with registered number 03376447), acting through its office at 5th Floor, 40 Dukes Place, London, EC3A 7NH (in such capacity, the "**Special Servicer**") will be appointed to provide certain special servicing services with respect to the Senior Loan on behalf of the Issuer, if required to do so under the Servicing Agreement.

Corporate Services Provider Structured Finance Management Limited, a company registered in England and Wales with registered number 3853947 whose registered office is at 35 Great St. Helen's, London EC3A 6AP, will be appointed as the corporate services provider to the Issuer and Issuer HoldCo (in such capacity, the "**Corporate Services Provider**") pursuant to the terms of a corporate services agreement to be dated on or about the Closing Date (the "**Corporate Services Agreement**") between the Issuer, the Corporate Services Provider, Issuer HoldCo, the Issuer HoldCo Share Trustee and the Note Trustee.

Pursuant to the terms of the Corporate Services Agreement, the Corporate Services Provider will provide corporate services to the Issuer and Issuer HoldCo. See "*The Issuer – Corporate Services Agreement*".

BORROWER LEVEL COUNTERPARTIES

Borrower: Isobel AssetCo Limited (the "**Borrower**") a company incorporated in England and Wales, with company number 07815679, having its registered office at 40 Berkeley Square, London W1J 5AL.

Guarantor: Each of the Borrower, Intermediate HoldCo, Loan Capital Limited, EquityCo and any further WorkoutCo that is incorporated after the Closing Date in their capacities as Guarantors pursuant to the terms of the Senior Facility Agreement (in such capacity the "**Guarantors**"). See "*Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Guarantee*".

Intermediate HoldCo: Isobel Intermediate HoldCo Limited ("**Intermediate HoldCo**") a company incorporated in England and Wales, with company number 07813209, having its registered office at 40 Berkeley Square, London W1J 5AL.

Mezzanine Borrower HoldCo: Isobel Mezzanine Borrower Limited ("**Mezzanine Borrower HoldCo**") a company incorporated in England and Wales, with company number 7873210, having its registered office at 40 Berkeley Square, London W1J 5AL.

HoldCo: Isobel HoldCo Limited ("**HoldCo**") a company incorporated in England and Wales, with company number 07811406, having its registered office at 40 Berkeley Square, London W1J 5AL.

Loan Capital Limited: Isobel Loan Capital Limited ("**Loan Capital Limited**") a company incorporated in England and Wales, with company number 07815722, having its registered office at 40 Berkeley Square, London W1J 5AL.

Asset WorkoutCo: Loan Capital Limited and any other WorkoutCo which is incorporated for the purposes of acquiring any Asset or any New Asset.

WorkoutCo: Any Asset WorkoutCo and any REO Property WorkoutCo.

REO Property WorkoutCo: Any other WorkoutCo which is incorporated for the purposes of acquiring any REO Property.

EquityCo: Isobel EquityCo Limited ("**EquityCo**") a company incorporated in England and Wales, with company number 07816534, having its registered office at

40 Berkeley Square, London W1J 5AL.

Isobel Group Investor:	Isobel Holding S.à r.l. (the " Isobel Group Investor ").
Seller/Initial Senior Lender:	RBS in its capacity as original lender under the Senior Facility Agreement.
Senior Agent:	The Royal Bank of Scotland plc, registered in Scotland under number SC090312, acting through its office at 250 Bishopsgate London EC2M 4AA is the agent of the Senior Finance Parties pursuant to the terms of the Senior Facility Agreement (the " Senior Agent ").
Borrower Security Trustee:	<p>The Royal Bank of Scotland plc, whose principal office is 250 Bishopsgate, London EC2M 4AA, United Kingdom is the security trustee for the Borrower Secured Parties (the "Borrower Security Trustee") pursuant to the terms of the Security Trust and Intercreditor Deed.</p> <p>The Borrower Security Trustee holds the security granted by, amongst others, the Obligors pursuant to the Borrower Security on trust for the Borrower Secured Parties.</p> <p>See "<i>Senior Facility Agreement and Borrower Transaction Security – Borrower Security Documents</i>".</p> <p>In addition, each of the Borrower and the Guarantors have granted a first floating charge in favour of the Borrower Security Trustee to be held on trust for, amongst others, the Issuer, over all of their present and future assets, property and undertaking pursuant to a floating charge debenture entered into on the Closing Date (the "Securitisation Floating Charge Debenture" and, together with the Borrower Transaction Security, the "Borrower Security").</p> <p>See "<i>Summary of the Issuer Transaction Documents – Securitisation Floating Charge Debenture</i>".</p>
Borrower Account Bank:	<p>Deutsche Bank AG, London Branch, acting through its office registered in England and Wales under number BR000005 at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom (in such capacity the "Borrower Account Bank") is the Borrower's or, as the case may be, the WorkoutCos' operating account banks pursuant to the terms of the Senior Facility Agreement. The Borrower Account Bank performs certain account bank services in relation to certain designated accounts (the "Borrower and WorkoutCo Control Accounts").</p> <p>The Borrower Account Bank replaced RBS and NatWest as account banks for the Borrower and WorkoutCo (as applicable) pursuant to the terms of the Senior Facility Agreement on or about 27 September 2012.</p>
Core Representation Breach Sellers:	RBS, RBSI and NatWest in their capacity as core representation breach sellers under the Security Trust and Intercreditor Deed (together the " Core Representation Breach Sellers ").
Asset Existing Swap Provider:	RBS and NatWest and any entity which becomes a party to the Security Trust and Intercreditor Deed as an Asset Existing Swap Provider (together the " Asset Existing Swap Provider ").
DC Beneficiaries:	RBS and NatWest and any entity which becomes a party to the Security Trust and Intercreditor Deed as a DC Beneficiary (together the " DC Beneficiaries ").
Senior Finance Parties:	RBS as the Arranger, the Senior Agent, the Borrower Security Trustee, RBS as counterparty to any hedge documents or any other bank which becomes a

counterparty under the Senior Facility Agreement, the servicer and/or special servicer appointed by the Senior Finance Parties in connection with the Securitisation, and the Issuer as Senior Lender and any successor or replacement of any of them in accordance with the terms of the Senior Facility Agreement (together the "**Senior Finance Parties**").

Junior Finance Parties: RBS and Isobel Holding S.à r.l. as junior arrangers, The Royal Bank of Scotland plc, as Junior Agent (the "**Junior Agent**"), the Borrower Security Trustee and Isobel Finance No. 2 plc (the "**Junior Issuer**") as Junior Lender and any successor or replacement of any of them under the Junior Facility Agreement (together the "**Junior Finance Parties**").

Affiliated Mezzanine Debt Provider: Prior to a securitisation of the Junior Loan, any Junior Lender or their affiliates or, at any time following a securitisation of the Junior Loan, holders of the Junior Debt Instruments or any affiliate thereof (the "**Affiliated Mezzanine Debt Providers**" and each an "**Affiliated Mezzanine Debt Provider**").

Borrower Secured Parties: The Senior Finance Parties, the Junior Finance Parties, the Affiliated Mezzanine Debt Providers, the Core Representation Breach Sellers, the Asset Existing Swap Providers, the DC Beneficiaries and the Relevant Swap Providers, in each case, provided that such party is or has become a party to the Security Trust and Intercreditor Deed (the "**Borrower Secured Parties**").

Subordinated Creditors: The Borrower, each Guarantor, the Asset Manager, and any other entity which becomes a party to the Security Trust and Intercreditor Deed as a Subordinated Creditor (together the "**Subordinated Creditors**").

Junior Intercreditor Party: Means each Affiliated Mezzanine Finance Party, Junior Finance Party, Asset Existing Swap Provider, Core Representations Breach Seller, DC Beneficiary, Relevant Swap Provider and Subordinated Creditor.

Asset Sellers: RBS, NatWest and RBSI in their capacities as sellers under the Asset Loan Sale Agreement (together the "**Asset Sellers**").

Asset Manager: Blackstone Real Estate Special Situations Advisors (Isobel) L.L.C. (the "**Asset Manager**"), a limited liability company incorporated under the laws of the State of Delaware, USA, with File Number 5069284 has been appointed as the Asset Manager of the Assets pursuant to a management agreement dated 21 December 2011 (the "**Management Agreement**").

Pursuant to the terms of the Management Agreement, the Asset Manager provides management services in relation to the Assets and any New Assets, including, amongst other things, certain asset management services, loan administration services, restructuring services, hedging services, know-your-customer services, cash management services, corporate, accounting and tax compliance services, valuation services, reporting services and originator trust services, as more particularly described in the section entitled "*Asset Management*".

Corporate Officer Provider: Structured Finance Management Limited, a company registered in England and Wales with registered number 3853947 whose registered office is at 35 Great St. Helen's, London EC3A 6AP, will be appointed as corporate officer provider (the "**Corporate Officer Provider**") under the Corporate Officer Agreement dated on or about 27 September 2012 between the Corporate Officer Provider, the Borrower, Loan Capital Limited and any subsequent WorkoutCo that is incorporated, and shall appoint one Independent Director to the board of the Borrower and Loan Capital Limited for the purpose of voting at any meeting of the company called to determine any winding-up or insolvency of the company.

KEY CHARACTERISTICS OF THE NOTES

Form, Denomination and Title:

The £230,000,000 Class A Commercial Asset-Backed Floating Rate Notes due 2038 (such of them as are outstanding, the "**Class A Notes**"), the £60,000,000 Class B Commercial Asset-Backed Floating Rate Notes due 2038 (such of them as are outstanding, the "**Class B Notes**") and the £173,219,000 Class C Commercial Asset-Backed Floating Rate Notes due 2038 (such of them as are outstanding, the "**Class C Notes**"), (the Class C Notes together with the Class A Notes and the Class B Notes, the "**Notes**") will be issued by the Issuer on the Closing Date.

The Notes of each Class will initially be represented by Temporary Global Notes in bearer form without Coupons or Receipts, which will be deposited with a common depository (the "**Common Depository**") for Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") and Euroclear Bank SA/NV, as operator of the Euroclear System ("**Euroclear**") on or about the Closing Date.

Interests in each Temporary Global Note will be exchangeable, in whole or in part, for interests in a Permanent Global Note in bearer form representing Notes of the same Class, without Coupons or Receipts, not earlier than forty (40) days after the Closing Date upon certification of non-U.S. beneficial ownership.

In certain limited circumstances, Definitive Notes with Coupons and Receipts attached will be issued in exchange for a Permanent Global Note. See Condition 2 (*Form, Denomination and Title*).

The Definitive Notes for the Class A Notes, the Class B Notes and the Class C Notes will be issued in bearer form in minimum denominations of £100,000 and integral multiples of £1,000 in excess thereof.

Status and Ranking of the Notes:

Each Class of Notes will be constituted by the Note Trust Deed and will be secured by the Issuer Security created under the Deed of Charge.

The Notes will constitute direct, secured, unconditional and (other than between different Classes of Notes) unsubordinated obligations of the Issuer.

The obligations of the Issuer in respect of the Notes will rank in the following order in point of priority and as to payments of interest:

- (a) *first, pro rata* and *pari passu* without preference amongst themselves, the Class A Notes;
- (b) *second, pro rata* and *pari passu* without preference amongst themselves, the Class B Notes; and
- (c) *third, pro rata* and *pari passu* without preference amongst themselves, the Class C Notes.

In respect of the Issuer's obligations to make payments of principal on the Notes, Available Principal Funds will be allocated to the redemption of the Notes sequentially beginning with the Most Senior Class of Notes then outstanding.

Prior to the occurrence of a Note Event of Default and the delivery of a Note Enforcement Notice by the Note Trustee, payments in respect of interest and principal on each Class of Notes will be made in accordance with the Issuer Pre-Enforcement Revenue Priority of Payments and Issuer Pre-Enforcement Principal Priority of Payments respectively.

Prior to the Final Maturity Date and to the extent that the Class B Notes and the Class C Notes are not at such time the Most Senior Class of Notes then outstanding, the holders of the Class B Notes and the Class C Notes as the case may be, will be entitled to receive payments of interest on their Notes on any Note Payment Date only to the extent that the Issuer has funds available for such purpose after making payment on such Note Payment Date of any liabilities ranking in priority to the Class B Notes, or the Class C Notes, respectively. In such circumstances, any interest on any Class B Notes and/or Class C Notes not paid on a Note Payment Date will itself accrue interest and will be paid to the holders of the Class B Notes and/or the Class C Notes, respectively, on subsequent Note Payment Dates to the extent that the Issuer has funds available for such purpose after paying in full on such Note Payment Date all payments ranking in priority thereto as aforesaid. See Condition 19 (*Subordination and Deferral of Interest*).

Prior to or on the Final Maturity Date (or such earlier date on which the Notes become immediately due and repayable in accordance with the Conditions), the non-payment of any interest on a Class or Classes of Notes ranking below the Most Senior Class of Notes shall not constitute a Note Event of Default. See Condition 11(a)(i) (*Note Events of Default*).

Prior to the occurrence of a Note Event of Default and the delivery of a Note Enforcement Notice by the Note Trustee, the obligations of the Issuer in respect of principal payments on each Class of Notes will be met in the manner described in "*Key Characteristics Of The Notes – Final Redemption*", "*Key Characteristics Of The Notes – Mandatory Redemption upon Prepayment or Repayment of the Senior Loan*", "*Key Characteristics Of The Notes – Substitution/Redemption in Whole for Taxation Reasons*", "*Key Characteristics Of The Notes – Substitution/Redemption in Whole for Other Reasons*".

The non-payment of any principal in respect of any Class of Notes when due in accordance with Condition 7 (*Redemption and Cancellation*) shall, subject to the expiry of the applicable grace period, constitute a Note Event of Default. See Condition 11(a)(i) (*Note Events of Default*).

**Security for the Notes
and Other Secured
Obligations:**

The Notes are secured by first ranking security created pursuant to the Deed of Charge.

The Note Trustee will hold the benefit of such security for itself and on trust for the Noteholders, any Receiver appointed under the Deed of Charge, the Issuer Account Bank, the Servicer, the Special Servicer, the Corporate Services Provider, the Cash Administrator, the Liquidity Facility Provider, the Paying Agents, the Agent Bank, the Seller and such other creditor or creditors who may be a party to, or accede to, the Deed of Charge from time to time in accordance with the terms thereof and is designated an Issuer Secured Party (the "**Issuer Secured Parties**").

The Deed of Charge creates first ranking security interests over, amongst other things, the Issuer's rights, interest and benefit in the Issuer Transaction Documents (other than the Trust Documents), its rights, interest and benefit in respect of the Issuer Accounts and any bank or other accounts in which the Issuer may at any time acquire a right, interest and/or benefit and its right, interest and benefit in the Borrower Transaction Documents.

The Notes will also be, secured in favour of the Note Trustee (on behalf of itself and the other Issuer Secured Parties) by a first ranking floating charge over all of the Issuer's undertaking and all its property, assets and rights whatsoever and wheresoever situated, present and future, including its uncalled capital, other than amounts standing to the credit of the Issuer

Profit Account and save that any right, interest and title in, to and under any Liquidity Stand-by Account and the debts represented thereby are secured for the benefit of the Liquidity Facility Provider only.

Upon the occurrence of a Note Event of Default and the delivery of a Note Enforcement Notice by the Note Trustee, payments in respect of each Class of Notes will rank in accordance with the Issuer Post-Enforcement Priority of Payments.

For a more detailed description of the provisions of the Deed of Charge, including the Issuer Post-Enforcement Priority of Payments, see "*Summary Of The Issuer Transaction Documents – Deed of Charge*" and Condition 12 (*Enforcement*).

**Conflicts of Interest
Among Noteholders:**

The Note Trust Deed contains provisions requiring the Note Trustee to, unless otherwise provided, have regard to the interests of the holders of the Class A Notes (the "**Class A Noteholders**"), the holders of the Class B Notes (the "**Class B Noteholders**") and the holders of the Class C Notes (the "**Class C Noteholders**" and together with the Class A Noteholders and the Class B Noteholders, the "**Noteholders**"), as if they formed a single Class. Where, however, in the opinion of the Note Trustee there is a conflict between the interests of any of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders the Note Trustee shall give priority to the interests of the holders of the More Senior Class of Notes then outstanding.

So long as the Notes are outstanding the Note Trustee is required to have regard solely to the interests of the Noteholders and no other Issuer Secured Party shall have any claim against the Note Trustee for so doing.

**Note Payment Dates and
Note Interest Periods:**

Interest on the Notes is or will be, as the case may be, payable by reference to successive interest periods (each, a "**Note Interest Period**"). Each Note will bear interest on its Principal Amount Outstanding from (and including) the Closing Date.

Interest on the Notes is or will be, as the case may be, payable in arrear in Sterling in respect of the aggregate Principal Amount Outstanding of each such Class of Notes, in each case, on each Note Payment Date (subject to adjustment as specified in Condition 6(b) (*Interest – Note Payment Dates and Note Interest Periods*) for non-Note Business Days). Each successive Note Interest Period will commence on (and include) a Note Payment Date and end on (but exclude) the following Note Payment Date.

The First Note Payment Date in respect of the Notes will fall on the Note Payment Date falling in October 2012.

**Interest Rates on the
Notes:**

The Notes bear or will bear, as the case may be, interest at the London interbank offered rate ("**LIBOR**") for three month Sterling deposits as calculated in accordance with the Conditions, plus, in respect of each Class, the Relevant Margin.

The "**Relevant Margin**" for each Class of Notes will be:

- (a) Class A Notes: 2.55 per cent. per annum;
- (b) Class B Notes: 4.25 per cent. per annum; and
- (c) Class C Notes: 4.50 per cent. per annum.

**Interest Determination
Date:**

The rate of interest applicable to each Note for each Note Interest Period is or will be, as the case may be, calculated on the Interest Determination Date immediately preceding the first day of the relevant Note Interest Period,

subject to adjustment in the event the Notes are redenominated into euro. See Condition 6(c) (*Interest – Interest Rates on the Notes*).

Withholding Tax: All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future Taxes unless such withholding or deduction is required by applicable law.

Neither the Issuer, the Paying Agents nor any other person will be obliged to pay any additional amounts to Noteholders (or, if Definitive Notes are issued, Couponholders and/or Receiptholders) in respect of any amounts required to be withheld or deducted. See "*Taxation In The United Kingdom*".

Final Redemption: Unless previously redeemed in full, the Notes will be redeemed at their Principal Amount Outstanding on the Note Payment Date falling in October 2038 (the "**Final Maturity Date**"), together with accrued but unpaid interest on the Principal Amount Outstanding of such Notes up to but excluding the date on which such redemption occurs.

See Condition 7(a) (*Redemption and Cancellation – Final Redemption*).

Mandatory Redemption upon Prepayment or Repayment of the Senior Loan: Prior to the delivery of a Note Enforcement Notice, the Issuer shall, in accordance with Condition 7(b) (*Redemption and Cancellation – Mandatory Redemption from Available Principal Funds*) apply the Available Principal Funds in redemption of the Notes sequentially beginning with the Most Senior Class of Notes then outstanding.

Substitution/Redemption in Whole for Taxation Reasons: In the event that the Issuer satisfies the Note Trustee that:

- (a) by reason of any change in Tax law (or the application or official interpretation thereof) it would be required to make any withholding or deduction for or on account of any United Kingdom Taxes from payments in respect of the Notes (although the Issuer will not have any obligation to pay additional amounts in respect of such withholding or deduction); or
- (b) by reason of any change in Tax law (or the application or official interpretation thereof) it would not be eligible to be taxed in accordance with the Taxation of Securitisation Companies Regulations 2006 and, in such circumstances, it would not otherwise be entitled to relief for United Kingdom Tax purposes for any material amount which it is obliged to pay, or would be treated as receiving for United Kingdom Tax purposes any material amount which it is not entitled to receive, in each case under the Issuer Transaction Documents,

then the Issuer will be obliged to use its reasonable endeavours to mitigate the effects of these events, including, in the case of the events described in paragraph (a) and paragraph (b) above, without limitation, by arranging for the substitution of a company incorporated in an alternative jurisdiction (approved in writing by the Note Trustee) as principal debtor under the Notes and as lender under the Senior Loan if such substitution would avoid such events outlined in paragraph (a) or paragraph (b) above, as the case may be.

The Note Trustee may agree to the substitution of another company in place of the Issuer in accordance with and subject to the terms of the Note Trust Deed. No Noteholder shall, in connection with any such substitution, be entitled to claim from the Issuer and the Note Trustee any indemnification or payment in respect of any tax consequence of any such substitution upon

individual Noteholders.

If the Issuer is unable to effectively mitigate or arrange a substitution as described above or if to do so would not avoid any one or more of the events described in paragraph (a) or paragraph (b) or if substitution would not avoid one or more of the relevant circumstances and, as a result, the Issuer satisfies the Note Trustee immediately before giving the notice referred to below that the event described above is continuing, then on any Note Payment Date, the Issuer shall redeem (without premium or penalty) all (but not some only) of the Notes (in each case) at their Principal Amount Outstanding together with accrued but unpaid interest on the Principal Amount Outstanding of the relevant Classes of Notes up to (but excluding) the Note Payment Date on which such redemption occurs, subject to the following:

- (a) that the Issuer has given not less than ten (10) days prior notice to the Note Trustee, the Paying Agents and the Noteholders in accordance with Condition 18 (*Notices to Noteholders*); and
- (b) that the Issuer has provided to the Note Trustee:
 - (i) a legal opinion in form and substance satisfactory to the Note Trustee from a firm of lawyers in the Issuer's jurisdiction (approved in writing by the Note Trustee), opining on the relevant change in Tax law (or the application or interpretation thereof);
 - (ii) a certificate from two directors of the Issuer to the effect that the obligation to make the relevant withholding or deduction or the change in the Tax treatment of the Issuer, as the case may be, cannot be avoided by the Issuer taking reasonable measures; and
 - (iii) a certificate from two directors of the Issuer to the effect that the Issuer will have the funds on the relevant redemption date, not subject to the interest of any other person, required to redeem the Notes pursuant to Condition 7(c) (*Redemption and Cancellation – Substitution/Redemption in Whole for Taxation Reasons*) and meet its payment obligations of a higher priority under the Issuer Payment Priorities.

Any certificate and legal opinion given by or on behalf of the Issuer may be relied on by the Note Trustee without further investigation and shall be conclusive and binding on the Noteholders.

**Substitution/Redemption
in Whole for Other
Reasons:**

In the event that:

- (a) the Issuer satisfies the Note Trustee (by such means as the Note Trustee may require, including, where appropriate, the delivery to it of legal opinions in form and substance satisfactory to it) that it has or will become unlawful for the Issuer to perform any of its obligations under the Senior Facility Agreement or to fund or maintain its participation in the Senior Loan; or
- (b) the aggregate Principal Amount Outstanding of the Notes on a Note Payment Date is less than 10 per cent. of the aggregate Principal Amount Outstanding of the Notes as at the Closing Date,

then the Issuer, in accordance with the Issuer Payment Priorities shall, in relation to the occurrence of any event described in paragraph (a) above, and may, in relation to the occurrence of the event described in paragraph (b)

above, in accordance with the provisions of Condition 7(d) (*Redemption and Cancellation – Substitution/Redemption in Whole for Other Reasons*), redeem (without premium or penalty) all (but not some only) of the Notes at their Principal Amount Outstanding, together with accrued but unpaid interest.

Right of Substitution of the Issuer:

If any of the events listed in Condition 7(c) (*Redemption and Cancellation – Substitution/Redemption in Whole for Taxation Reasons*) is subsisting, the Note Trustee shall agree to the substitution of another body corporate in place of the Issuer as principal debtor under the Note Trust Deed and the Notes and in respect of the other Issuer Secured Liabilities, subject to the Notes being unconditionally and irrevocably guaranteed by the Issuer (unless all or substantially all of the assets of the Issuer are transferred to such body corporate) and to such body corporate being a special purpose vehicle and undertaking itself to be bound by the covenants applying to the Issuer under the Note Trust Deed.

Liquidity Facility:

Pursuant to the terms of the Liquidity Facility Agreement, the Liquidity Facility Provider has agreed to make available a committed 364-day revolving facility of up to an initial maximum aggregate amount of £23,000,000 to the Issuer (the "**Liquidity Facility**").

Subject to the terms of the Liquidity Facility Agreement, the Issuer will be entitled to make drawings under the Liquidity Facility Agreement from time to time to cover shortfalls in the amounts available to the Issuer to make payments of, amongst other items, interest due on the Notes.

Amounts drawn by the Issuer pursuant to the terms of the Liquidity Facility Agreement will be repayable to the Liquidity Facility Provider (together with, amongst other things, any interest thereon) on the subsequent Note Payment Date in accordance with the Issuer Payment Priorities.

The availability of the Liquidity Facility is subject to the satisfaction of certain conditions and the non-occurrence of certain events of default.

In accordance with the terms of the Liquidity Facility Agreement, upon the aggregate Principal Amount Outstanding of the Notes being reduced in accordance with Condition 7(b) (*Redemption and Cancellation – Mandatory Redemption from Available Principal Funds*), the amount available under the Liquidity Facility Agreement will reduce by an amount equal to the product of: (i) X/Y; and (ii) the Available Liquidity Facility or Liquidity Stand-by Loan (as relevant), where "X" equals the amount by which the Principal Amount Outstanding of the Notes is reduced on the relevant Note Payment Date in accordance with Condition 7(b) (*Redemption and Cancellation – Mandatory Redemption from Available Principal Funds*); and "Y" equals the Principal Amount Outstanding of the Notes on the relevant Note Payment Date immediately prior to the application of Principal Collections in accordance with Condition 7(b) (*Redemption and Cancellation – Mandatory Redemption from Available Principal Funds*), in each case as notified to the Issuer by the Cash Administrator (the "**Liquidity Facility Prepayment Discount**").

The Issuer's obligation to make payments under the Liquidity Facility Agreement (other than Liquidity Facility Subordinated Amounts) ranks ahead of its obligations in respect of the Notes. See "*Summary Of The Issuer Transaction Documents – Liquidity Facility Agreement*".

Summary of Issuer Payment Priorities:

Below is a summary of the Issuer Payment Priorities. Please refer to the section entitled "*Summary of the Issuer Transaction Documents – Cash Administration Agreement*" for further information. In addition, please refer to "*Limited Recourse*" in the section entitled "*Terms and Conditions of the*

Notes".

	Issuer Pre-Enforcement Revenue Priority of Payments	Issuer Pre-Enforcement Principal Priority of Payments	Issuer Post-Enforcement Priority of Payments
1	Costs and expenses of the Note Trustee	Principal on Class A Notes until redeemed in full	Costs and expenses of the Note Trustee and any Receiver
2	Costs and fees of the Agents, Liquidity Facility Provider, Issuer Account Bank, Servicer, Special Servicer, Cash Administrator, Corporate Services Provider and any Property Protection Advance Provider	Principal on Class B Notes until redeemed in full	Costs and fees of the Agents, Liquidity Facility Provider, Issuer Account Bank, Servicer, Special Servicer, Cash Administrator, Corporate Services Provider and any Property Protection Advance Provider
3	Amounts payable to third party creditors of the Issuer, payment of the Issuer Profit Amount and utilised to pay corporation tax	Principal on Class C Notes until redeemed in full	Payment of the Issuer Profit Amount
4	Amounts of interest, principal and other amounts due to the Liquidity Facility Provider (excluding Liquidity Facility Subordinated Amounts)	Remainder to Issuer to pay Deferred Consideration	Amounts of interest, principal and other amounts due to the Liquidity Facility Provider (excluding Liquidity Facility Subordinated Amounts)
5	Class A interest		Class A interest
6	Class B interest		Class A principal
7	Class C interest		Class B interest
8	Liquidity Facility Subordinated Amounts		Class B principal
9	Other than on the first Note Payment Date, funding of Issuer General Reserve Account up to the Issuer General Reserve Required Amount		Class C interest
10	Remainder to Issuer to pay Deferred Consideration		Class C principal
11			Liquidity Facility Subordinated Amounts
12			Remainder to Issuer to pay Deferred Consideration

Ratings: The ratings expected to be assigned to each Class of Notes are set out in "Principal Characteristics of The Notes" above.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation and each security rating should be evaluated independently of any other rating and, amongst other things, will depend on

the performance of the business of the Borrower and the other Obligors from time to time.

- Listing:** Application has been made to the Central Bank of Ireland, in its capacity as competent authority under the Prospectus Directive, for the Prospectus to be approved.
- Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market.
- Investor Information:** The Servicer will prepare or procure the preparation of a quarterly investor report (the "**Quarterly Investor Report**") after each Note Payment Date and the CMSA European Investor Reporting Package, in each case based on: (i) the information contained in the Asset Quarterly Report and the Distribution Worksheet and (ii) the payments made by the Issuer on such Note Payment Date, details of which shall be provided to the Servicer by the Cash Administrator within 3 Note Business Days of such Note Payment Date.
- The Servicer shall deliver each Quarterly Investor Report and CMSA European Investor Reporting Package to the Issuer, Note Trustee, Paying Agents, Cash Administrator, Junior Cash Administrator, RBS as originator, the Rating Agency, the Special Servicer any other party as the Issuer may direct on each Quarterly Investor Reporting Date.
- Each Quarterly Investor Report and CMSA European Investor Reporting Package will also be posted by the Servicer, on the Issuer's behalf, on a website of the Servicer, Bloomberg or such other website as the Servicer may designate.
- The Cash Administration Report will also be posted by the Cash Administrator, on the Issuer's behalf, on a website of the Cash Administrator.
- Any such website and the information contained thereon does not form a part of this Prospectus.
- Selling Restrictions:** There are restrictions on the sale of the Notes and on the distribution of information in respect thereof. See "*Note Purchase Agreement*".
- Transfer Restrictions:** Subject to applicable laws and regulations, there are no transfer restrictions in respect of the Notes.
- Governing Law:** The Notes and the Issuer Transaction Documents are governed by English law.

REGULATORY CONSIDERATIONS

Article 122a of the Capital Requirements Directive

Retention Statement

In the Issuer Loan Sale Agreement and the Note Purchase Agreement, RBS as an originator undertakes (i) to retain a material net economic interest of not less than 5 per cent. of the nominal value of the securitisation in accordance with Article 122a of the Directive 2006/48/EC (as amended by Directive 2009/111/EC), referred to as the Capital Requirements Directive ("**CRD**") and (ii) to provide all information required to be made available by RBS pursuant to paragraph 7 of Article 122a, subject always to any requirement of law regarding the provision of such information, such information to be provided in the Quarterly Investor Reports **provided that** RBS will not be in breach of such undertaking if RBS fails to so comply due to events, actions or circumstances beyond RBS's control (for further details on disclosure of information under Article 122a, please refer to sub-paragraph 9 in the Section entitled "*General Information*").

As at the date of this Prospectus, such material net economic interest is retained in the form of 5 per cent. as permitted under option (a) of paragraph 1 of Article 122a of the CRD by retaining at least 5 per cent. of each Class of Notes. RBS will confirm its ongoing retention of the net economic interest described above in the Quarterly Investor Reports and any change to the manner in which such interest is held will be notified to Noteholders. Other post-issuance information will be contained in the Cash Administration Report.

For further details, please refer to sub-paragraph 9 and 10 in the Section entitled "*General Information*".

Investors to assess compliance

Each prospective investor is required to independently assess and determine the sufficiency of the information described above and in this Prospectus generally for the purposes of complying with Article 122a of the CRD and none of the Issuer, nor the Arranger, nor the Lead Manager, nor the Other Parties, nor any person Affiliated with them, makes any representation that the information described above or in this Prospectus is sufficient in all circumstances for such purposes. In addition, each prospective Noteholder should ensure that they comply with the implementing provisions in respect of Article 122a of the CRD in their relevant jurisdiction. Investors who are uncertain as to the requirements which apply to them in respect of their relevant jurisdiction, should seek guidance from their regulator.

CRA Regulations

The credit ratings included or referred to in this Prospectus have been issued by the Rating Agency, which is established in the European Union and registered in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "**CRA Regulation**").

THE PROPERTY LOANS AND THE ASSET LEVEL SECURITY

INVESTORS SHOULD BE AWARE THAT ALL INFORMATION RELATING TO THE PROPERTY LOANS AND THE PROPERTY LOAN PORTFOLIO IN THE SECTIONS OF THIS PROSPECTUS ENTITLED "*THE PROPERTY LOANS AND THE ASSET LEVEL SECURITY*" AND "*PROPERTY LOAN SUMMARIES*" UNLESS EXPRESSLY STATED OTHERWISE HAS BEEN PREPARED AS AT THE CUT OFF DATE. DETAILS OF MATERIAL CHANGES TO THE PRINCIPAL AMOUNTS OUTSTANDING UNDER THE PROPERTY LOANS BETWEEN THE CUT OFF DATE AND 2 JULY 2012 (INCLUDING ANY PREPAYMENTS FOLLOWING A PROPERTY DISPOSAL) ARE SUMMARISED IN THE SECTION OF THIS PROSPECTUS ENTITLED "*SUMMARY OF MATERIAL CHANGES TO THE PRINCIPAL BALANCE OF THE PROPERTY LOANS SINCE THE CUT OFF DATE*". THIS PROSPECTUS DOES NOT INCLUDE DETAILS OF WHICH PROPERTIES HAVE BEEN DISPOSED OF SINCE THE CUT OFF DATE. THE SUM OF INDIVIDUAL NUMBERS SPECIFIED THROUGHOUT THE SECTIONS OF THIS PROSPECTUS ENTITLED "*THE PROPERTY LOANS AND THE ASSET LEVEL SECURITY*" AND "*PROPERTY LOAN SUMMARIES*" MAY NOT EQUAL THE TOTALS SPECIFIED IN RELATION TO THOSE NUMBERS IN THOSE SECTIONS DUE TO THE IMPACT OF ROUNDING. TOTAL AMOUNTS HAVE BEEN ROUNDED FROM THE ORIGINAL VALUES AND HAVE NOT BEEN AGGREGATED FROM PRE-ROUNDED FIGURES. THE INFORMATION, STATISTICS AND DIAGRAMS IN THE SECTIONS OF THIS PROSPECTUS ENTITLED "*THE PROPERTY LOANS AND THE ASSET LEVEL SECURITY*" AND "*PROPERTY LOAN SUMMARIES*" INCLUDE (UNLESS OTHERWISE SPECIFIED) DETAILS OF THE MARLOW PROPERTY LOAN AND TAKE INTO ACCOUNT THE MARLOW PROPERTY LOAN AS AT THE CUT OFF DATE NOTWITHSTANDING THAT THE MARLOW ASSET WAS SOLD ON 27 JULY 2012, RESULTING IN A PREPAYMENT OF THE MARLOW PROPERTY LOAN AND A RESULTANT PARTIAL PREPAYMENT OF THE SENIOR LOAN. THE SECTIONS OF THIS PROSPECTUS ENTITLED "*LOAN PERFORMANCE AND STATUS*" WITHIN "*PROPERTY LOAN SUMMARIES*" PROVIDE INFORMATION SOLELY IN RESPECT OF (i) WHETHER OR NOT A LOAN IS NOT DEFAULTED (WHERE "NOT DEFAULTED" MEANS FOR THIS PURPOSE THAT NO EVENT OF DEFAULT (HOWSOEVER DESCRIBED) IS CONTINUING UNDER THE RELEVANT PROPERTY LOAN) AND (ii) WHETHER THERE HAVE BEEN ANY CHANGES TO THE PRINCIPAL AMOUNT OUTSTANDING OF THE RELEVANT PROPERTY LOAN SINCE THE CUT OFF DATE, AS AT 2 JULY 2012.

Introduction

The property portfolio of the Borrower and the WorkoutCos consists of thirty-seven (37)⁴ UK commercial property loans (each a "**Property Loan**" and collectively, the "**Property Loan Portfolio**"), secured (other than in the case of (i) the Multi-Southgate Property Loan which is secured on the Borrower's 50 per cent. interest in the entities owning the underlying property and (ii) the Caspar Property Loan which is secured on the relevant Asset Level Borrower's interest in a legal charge over the relevant underlying property) by mortgages on (as at the Cut Off Date) 945⁵ commercial properties located in England, Wales, Scotland, Northern Ireland, Jersey and/or the Isle of Man across the retail, office, mixed-use commercial, healthcare, leisure and industrial sectors (each an "**Asset Level Property**" and collectively, the "**Asset Level Properties**"). The Asset Sellers either originated or participated in the Property Loans which were made to thirty-one (31) or more borrowers and/or associated companies. Certain of the Property Loans were made to the same company and/or are cross-collateralised with each other and therefore are treated as connected, each group of such connected loans being a "**Connected Loan**". The Property Loans had an initial aggregate balance of £1.358bn as of 31 December 2011 (the "**Cut Off Date**"). An amount equal to £13.4m in respect of the Alpha Property Loans, an amount equal to £19,051 in respect of the Warner Property Loan and an amount equal to £4.5m in respect of the Pimlico Property Loan remained undrawn as at the Cut Off Date.

All of the Property Loans were originated between 2002 and 2009. The decision to advance any Property Loan was taken in compliance with the usual credit process of the RBS group which operated at the time

⁴ This number includes the Marlow Property Loan notwithstanding that the Marlow Asset was sold on 27 July 2012, resulting in a prepayment of the Marlow Property Loan and a resultant partial prepayment of the Senior Loan.

⁵ This number includes the Marlow Property Loan notwithstanding that the Marlow Asset was sold on 27 July 2012, resulting in a prepayment of the Marlow Property Loan and a resultant partial prepayment of the Senior Loan.

of the origination of the relevant Property Loan. See "*Origination/ Participation Of The Property Loans*".

Property Loan Portfolio Characteristics

A summary of the Property Loan Portfolio characteristics is included in Table 1 below.

TABLE 1: ISOBEL PORTFOLIO STATISTICS

Number of Connected Loans.....	30
Number of Property Loans.....	37
Number of Tranches.....	51
Total Utilisation.....	£1,358m
Weighted Average Remaining Term.....	3.8 years
Average Loan size.....	£37m
Weighted Average Margin.....	2.02%
Weighted Average ICR ^(a)	127%
Current Weighted Average LTV ^(b)	103%
Current Weighted Average LTV ^(c)	128%

Note weightings by utilisation

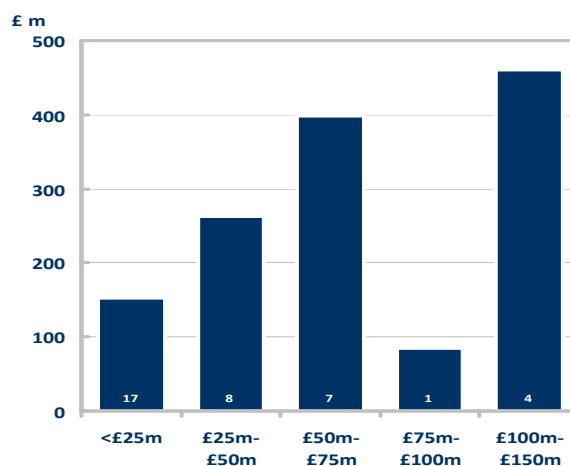
(a) ICRs for (i) the Colour Property Loans, the Charlie Property Loan and the Echo Property Loan have not been included as such information is not available, (ii) the Multi-Southgate Property Loan and the Caspar Property Loan have not been included as there are no such covenants in these Property Loans and (iii) the Barracuda Property Loan have not been included as rent payments and debt service in respect of a test period prior to the Cut Off Date were deferred.

(b) Based on the DTZ Valuation and excluding the impact of swap mark-to-markets ("MTMs")

(c) Based on the DTZ Valuation and including the impact of swap MTMs as though the swap was broken at portfolio Cut Off Date

Property Loan Composition

FIGURE 1: PROPERTY LOAN PORTFOLIO COMPOSITION BY PROPERTY LOAN SIZE



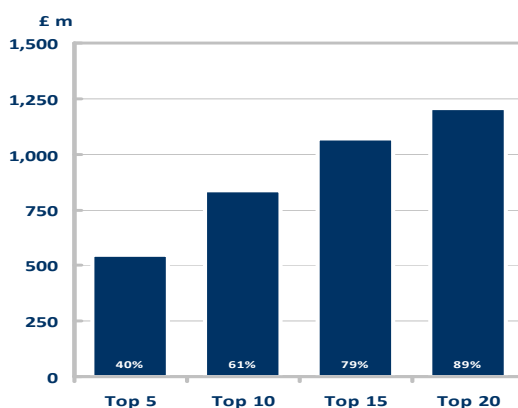
Loan Size	Utilisation (£m)	Property Loans
£0-25m	152	17
£25-50m.....	262	8
£50-75m.....	399	7
£75-100m.....	85	1
£100-150m.....	460	4
Total	1,358	37

Note Calculated by utilisation per Property Loan

Figure 1 illustrates that approximately 34 per cent. of the outstanding utilisation of the Property Loan Portfolio is concentrated in four Property Loans that each have a utilisation exceeding £100 million and that approximately 69 per cent. of the Property Loan Portfolio balance is in 12 Property Loans with

utilisations that exceed £50 million (with the remaining 31% accounting for Property Loans with utilisations less than £50 million).

FIGURE 2: PROPERTY LOAN PORTFOLIO COMPOSITION BY UTILISATION



Note: Calculated by utilisation per Property Loan

The average (mean) loan utilisation is £37 million at the Cut Off Date. The range and distribution of the Property Loan Portfolio by loan utilisation is illustrated in Figures 1 and 2 above.

TABLE 2: UNDRAWN COMMITMENTS

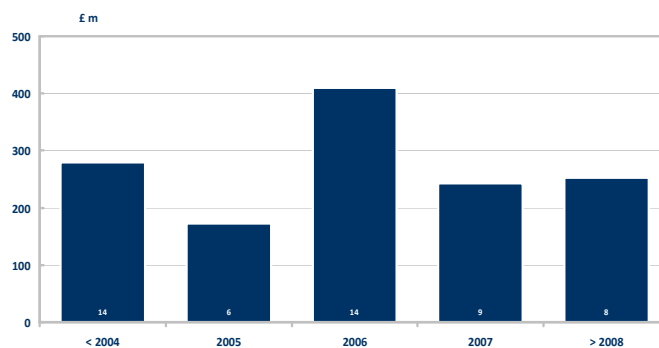
PROPERTY LOAN NAME	UNDRAWN COMMITMENT	UTILISATION	PURPOSE
	<i>(£M)</i>		
Alpha Property Loans (mezzanine tranches)	13.4	138.8	<ul style="list-style-type: none"> Amounts are drawn over time to fund the payment of the mezzanine interest and related swaps
Pimlico Property Loan (mezzanine tranche).....	4.5	13.2	<ul style="list-style-type: none"> Amounts drawn on each interest payment date are 6 per cent. of the outstanding balance and are used to pay funding costs
Warner Property Loan (revolving credit facility)	0.02	1.65	<ul style="list-style-type: none"> The revolving credit facility is used for general corporate funding purposes and is available until 1 December 2012.
Total	17.9	150.35	

Note: The lenders are not obliged to fund where a Property Loan is in default.

As set out in Table 2 above, certain Property Loans have related undrawn commitments that may need to be funded prior to maturity. The maximum undrawn commitment as at the Cut Off Date is £17.9 million as set out in Table 2 (note that the Warner Property Loan revolving credit facility may be repaid and re-drawn). Undrawn commitments under the Property Loans will be funded from the Future Funding Obligations Account held by the Borrower. On each Loan Payment Date, certain monies standing to the credit of the Income Account will be transferred to the Future Funding Obligations Account up to a maximum of £10,000,000 over the term of the Senior Loan (See "Summary of the Borrower Transaction Documents – Security Trust and Intercreditor Deed – Income Account – Pre-Material Event of Default and Summary of the Borrower Transaction Documents – Security Trust and Intercreditor Deed – Future Funding Obligations Account").

Property Loan Vintage Profile

FIGURE 3: PROPERTY LOAN VINTAGE PROFILE

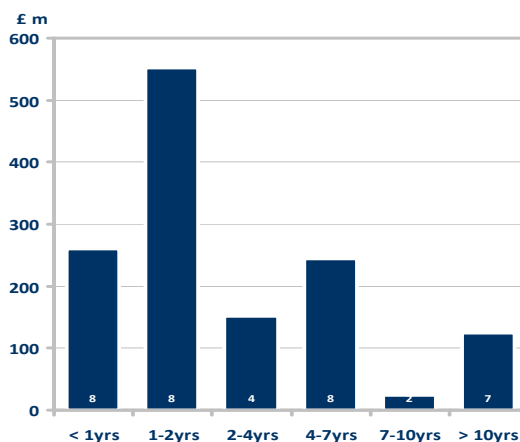


Note: The Property Loans originated after 2008 are: Loan B of the London & Westcountry Property Loans and the Bravo Property Loan where the original revolving credit facility provided by RBS was restructured into a term loan and overdraft facility in 2009.

The Property Loan Portfolio has a weighted average origination date (by utilisation) of June 2006. The earliest origination date is 8 February 2002 (the Echo Property Loan) and the latest origination date is 29 September 2009 (Loan B of the London & Westcountry Property Loans).

Property Loan Maturity Profile

FIGURE 4: PROPERTY LOAN MATURITY PROFILE



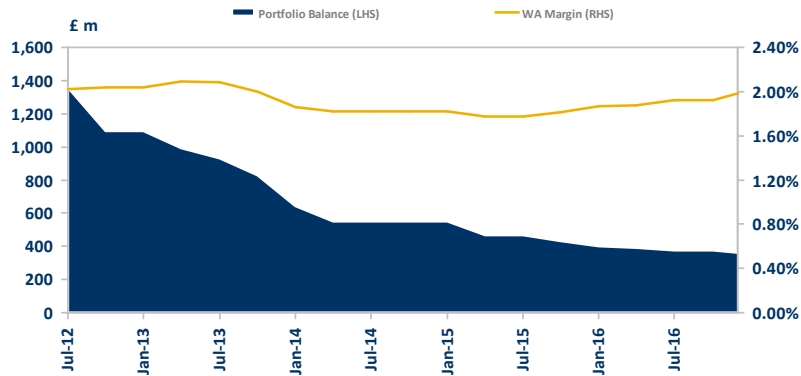
Property Loan Term	Utilisation	Property Loans
	<i>(£m)</i>	
< 1 year	260	8
1-2 years.....	553	8
2-4 years.....	152	4
4-7 years.....	244	8
7-10 years.....	24	2
> 10 years.....	125	7
Total	1,358	37

Note: Calculated by utilisation per Property Loan, excluding amortisation. For cross-collateralised Property Loans with varying maturity dates, the weighted average maturity has been assumed for population of the graph above.

As depicted in Figure 4, 71 per cent. of the Property Loan Portfolio by utilisation has matured or will mature within the next four years, resulting in a weighted average maturity across the Property Loan Portfolio of 3.8 years from the Cut Off Date.

Margin

FIGURE 5: PROPERTY LOAN PORTFOLIO RUNOFF & WEIGHTED AVERAGE MARGIN

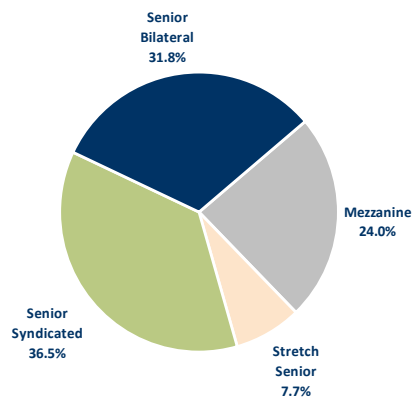


Note: (a) Assumes all Property Loans are repaid at maturity.
 (b) Figure 5 excludes Property Loan amortisation. Property Loan maturity has been rounded to the quarter end prior to maturity. £71m of utilisations mature in 2024 and beyond, of which £7m matures in 2024, £6m matures in 2027 and £58m matures in 2037.

The Property Loan Portfolio's initial weighted average margin is 2.02 per cent. All of the Property Loans bear floating rate interest payments with the margin calculated over LIBOR with the exception of the Trustees of the Sugar Mill Property Loan. See Figure 5 above outlining the movement of the weighted average margin over time, assuming that all Property Loans are repaid at maturity.

Loan Seniority and Control

FIGURE 6: BREAKDOWN OF LOAN TYPE



Tranche Type	Utilisation	Tranches
	(£m)	
Senior Bilateral.....	432	19
Senior Syndicated.....	496	12
Stretch Senior.....	104	7
Mezzanine.....	326	13
Total	1,358	51

Note: Calculated by utilisation per tranche; the Barchester Property Loan A1 Tranche is included in the Senior Syndicated category, the A2 Tranche is included in the Stretch Senior category and the A3 tranche is included in the Mezzanine category.

Approximately 32 per cent. of the Property Loan Portfolio by utilisation consists of senior bilateral loan tranches where the Borrower or a WorkoutCo is the sole lender. A further 36 per cent. of the Property Loan Portfolio comprises senior syndicated loan tranches. The remainder of the Property Loan Portfolio is distributed across stretch senior tranches and mezzanine tranches comprising 8 per cent. and 24 per cent. of the Property Loan Portfolio, respectively. A stretch senior tranche ranks above the mezzanine tranche and below the senior tranche.

FIGURE 7: CONTROL CHARACTERISTICS OF TRANCED LOANS (COMPRISING 19 PROPERTY LOANS) WITHIN THE PROPERTY LOAN PORTFOLIO

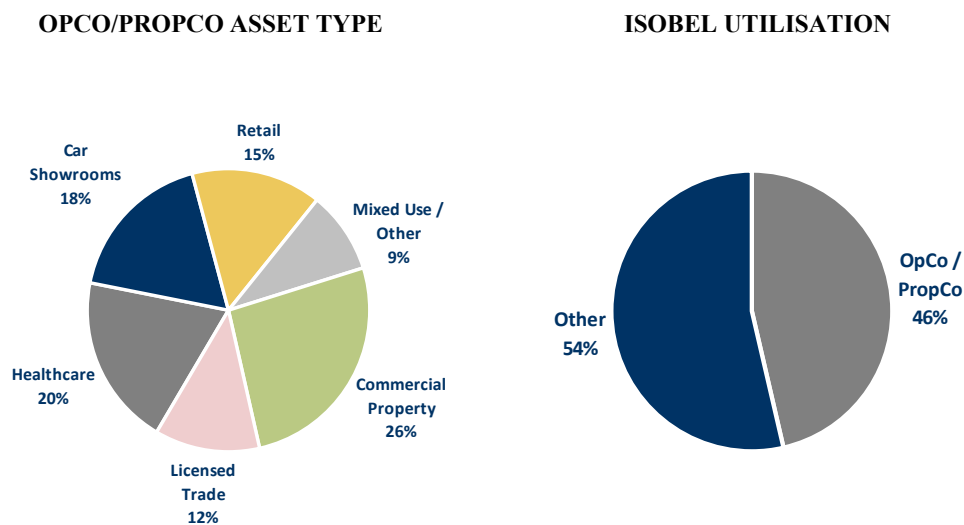
PROPERTY LOAN NO	PROPERTY LOAN	ISOBEL SHARE OF SENIOR LOAN	ISOBEL SHARE OF STRETCH SENIOR LOAN	ISOBEL SHARE OF MEZZANINE LOAN
			(%)	
1.	PPH1.....	100%	13%	n/a
2 and 3	Alpha.....	0%	21%	100%
5	Barchester ^(a)	34%	19%	51%
7	Heathrow/V&A.....	52%	100%	100%
8	Toys "R" Us.....	0%	n/a	100%
9	DFS.....	31%	n/a	n/a
10	Prestbury.....	21%	n/a	n/a
14	Multi-Southgate.....	50%	n/a	n/a
15	Urban Splash.....	40%	n/a	n/a
16	Mapeley.....	25%	n/a	n/a
17	Falcon.....	14%	n/a	20%
23	Pimlico.....	0%	100%	100%
24	Barracuda.....	19%	n/a	n/a
25	Kingswood.....	0%	n/a	100%
26	Craighurst.....	20%	20%	n/a
28	Rivlin ABP.....	0%	n/a	100%
30	Caspar.....	0%	n/a	51%
32	Rivlin.....	0%	n/a	100%

Note: (a) The Barchester Property Loans rank behind a senior ranking CMBS

The level of control over each tranche is influenced by the Borrower's or a WorkoutCo's ability to instruct or block the exercise of the lenders' rights under the relevant Property Loan. The Obligor's positions in the tranced loans within the Property Loan Portfolio are summarised in Figure 7 above (excluding senior bilateral loans which are assumed to have full control) (see also "*The Property Loans and the Asset Level Security – The Property Loans – Intercreditor Arrangements*").

Opco/Propco Loans

FIGURE 8: ISOBEL PROPCO EXPOSURES



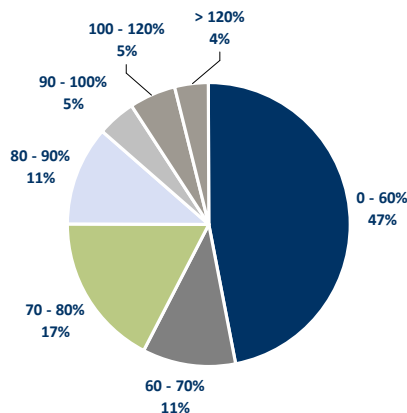
PROPCO	OPCO	OF ISOBEL (BY UTILISATION)	ICR
		(%)	
Alpha.....	Alpha Opco	12.1	106
PPH1	PPH1 Opco	8.2	124
Barchester	Barchester Opco	9.1	121
Toys "R" Us	Toys "R" Us Opco	4.5	152
DFS	DFS Opco	4.4	126
Prestbury Wentworth...	Punch Taverns	4.2	186
Falcon.....	British Car Auctions	2.5	131
			Not applicable (DSCR Covenant is 100%)
Barracuda.....	Barracuda Opco	1.4	
		46.4	

As set out in Figure 8, eight Property Loans (the PPH1 Property Loan, the Alpha Property Loans, the Barchester Property Loan, the Toys "R" Us Property Loan, the DFS Property Loan, the Prestbury Property Loan, the Falcon Property Loan and the Barracuda Property Loan) have been advanced to a PropCo in an OpCo/PropCo structure.

PropCo loans represent 46.4 per cent. of the Property Loan Portfolio's total utilisation, as reflected in Figure 8 above.

Loan to value

FIGURE 9: LTV DISTRIBUTION BASED ON CLOCKFACE METHODOLOGY



LTV Range	Utilisation
	<i>(£m)</i>
0%-60%	637
60%-70%	144
70%-80%	236
80%-90%	156
90%-100%	63
100%-120%	69
>120%	54
Total	1,358

Note: Calculated by utilisation per Property Loan, excluding the impact of swap MTMs.

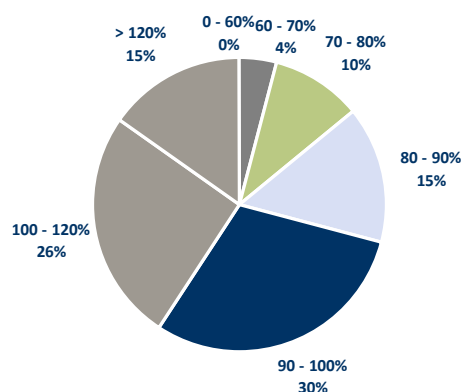
DTZ Debenham Tie Leung ("**DTZ**") has performed a desktop valuation in respect of the Asset Level Properties against which the Property Loans are secured as at 31 December 2011. The implied current loan to value (the "**LTV**") distribution of the Property Loan Portfolio is analysed at Figure 9 above.

The clockface methodology divides each loan into various LTV segments based on DTZ's valuation of the underlying Property Loan Portfolio dated 31 December 2011 (the "**DTZ Valuation**"). This represents the true amount of each loan utilisation that is covered and not covered by the Property Loan Portfolio value. For example, a £100m loan with an underlying collateral value of £120m will have £72m allocated to the 0-60 per cent. LTV segment, £12m allocated to the 60-70 per cent. LTV segment, £12m allocated to the 70-80 per cent. LTV segment, and £4m allocated to the 80-90 per cent. LTV segment.

9 per cent. (£123 million) of the Property Loan Portfolio represents principal balance at risk when compared to DTZ's Valuation (excluding the impact of swap MTMs).

Per the above methodology, £1.24bn (91 per cent.) of the Property Loan Portfolio's total utilisation of £1.36bn is covered by the value of the underlying collateral, based on the DTZ Valuation (excluding the impact of swap MTMs).

FIGURE 10: LTV DISTRIBUTION BASED ON DETACHMENT METHODOLOGY



LTV	
Weighted average	103%

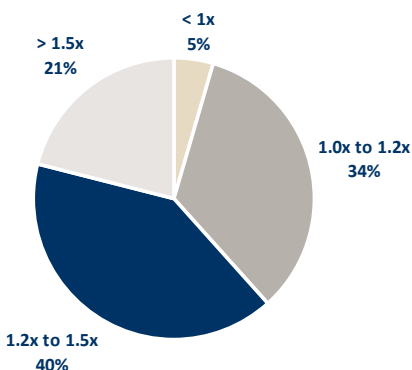
LTV Range	Utilisation	Property Loans
	<i>(£m)</i>	
0%-60%	1	1
60%-70%	57	1
70%-80%	134	2
80%-90%	204	7
90%-100%	409	9
100%-120%	348	10
>120%	206	7
Total	1,358	37

Note: (a) Calculated by utilisation per Property Loan, excluding the impact of swap MTMs.
 (b) Based on the DTZ Valuation.

The detachment methodology allocates each Property Loan into an LTV bucket based on the whole loan LTV – this is shown in Figure 10. For example, for a £100m loan with an underlying collateral value of £120m, the full £100m notional would be allocated to the 80-90 per cent. LTV bucket. The implied LTV at the Cut Off Date (based on the DTZ Valuation), calculated using the detachment point methodology, is shown in Figure 10. This analysis, whilst indicative of potential LTV covenant pressure, is not reflective of the value at risk.

Interest Coverage

FIGURE 11: INTEREST COVER RATIO ("ICR")^(a)



ICR	
Weighted average	127%
Maximum (Trustee of the Sugar Mill Property Loan)	210%
Minimum (Rivlin Property Loan)	93%

ICR Range	Utilisation (£m)	Property Loans
90-100% ^(a)	52	3
100-120%	393	9
120-150%	468	10
>150%	246	5
Total	1,159^(b)	27^(b)

Note:

^(a) Calculated by utilisation per Property Loan.

^(b) ICRs for (i) the Colour Property Loans, the Charlie Property Loan and the Echo Property Loan have not been included as such information is not available, (ii) the Multi-Southgate Property Loan and the Caspar Property Loan have not been included as there are no such covenants in these Property Loans and (iii) the Barracuda Property Loan have not been included as rent payments and debt service in respect of a test period prior to the Cut Off Date were deferred.

Overall, the Property Loan Portfolio has a weighted average ICR of 127 per cent. As illustrated in Figure 11, 95 per cent. of the Property Loan Portfolio (taking into account the excluded Property Loans as mentioned above) has a current ICR greater than 100 per cent.

TABLE 3: INTEREST COVER RATIOS LESS THAN 100%^(b)

PROPERTY LOAN	TRANCHE	UTILISATION (£M)	ICR
Bravo Property Loan	Senior Bilateral	26	99%
Pimlico Property Loan	Stretch Senior + Mezzanine	20	93.5% ^(a)
Rivlin Property Loan	Mezzanine	5	93%
Total / Weighted Average		52	96.2%

Note:

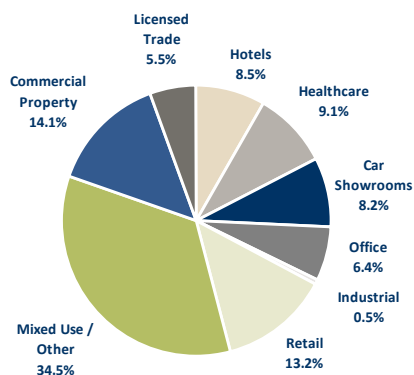
^(a) This ICR has been reported for the £7m stretch senior tranche. The ICR for the £13m mezzanine tranche has not been reported, although it has been included in the utilisation figure.

^(b) The Heathrow / V&A Property Loan and the London & Westcountry Property Loans have both entered administration since the Cut Off Date and have been excluded from this analysis.

Three Property Loans have ICRs of less than 100 per cent. as identified in Table 3 above.

Underlying Asset Type

FIGURE 12: ASSET TYPE



Asset Type	Utilisation (£m)	Tranches
Mixed Use/Other ^(a)	469	17
Commercial Property.....	191	5
Retail.....	179	8
Healthcare.....	124	3
Hotels.....	115	8
Car Showrooms.....	112	2
Office.....	87	4
Licensed Trade.....	75	2
Industrial.....	6	2
Total	1,358	51

Note: Calculated by utilisation per tranche.

(a) Mixed use properties comprise a combination of retail, office and industrial properties.

The underlying collateral supporting the Property Loans is well diversified, including offices, retail warehouses, shopping centres, pubs, commercial property, long-term care homes, hotels and industrial properties. The Property Loans are secured against a total of 945 properties as at the Cut Off Date.

The Property Loans

Introduction

Each Asset Level Loan Agreement is governed by English law except the Asset Level Loan Agreement for the Structadene Property Loans which are governed by Scottish law. The majority of Asset Level Loan Agreements contain typical representations, warranties and undertakings in the relevant finance documents entered into in respect of such Property Loan (the "**Asset Level Finance Documents**") on the part of the relevant Asset Level Borrower specified in the relevant Asset Level Loan Agreement and, as applicable, relevant Asset Level Obligors that a reasonably prudent lender making loans secured on commercial properties of the same types as the relevant Asset Level Properties would customarily require.

An overview of the principal terms of the Asset Level Loan Agreement are set out below.

Loan Amount, Drawdown and Further Advances on the Property Loans⁶

The maximum amount of borrowing under each Asset Level Loan Agreement was calculated on origination by reference to a number of factors including the cashflow generated by the Asset Level Properties to service the debt, the stability of that cashflow and the value of the relevant Asset Level

⁶ No details have been included in this section in respect of loans and/or tranches in which the Obligors do not hold an interest.

Property to be charged to the relevant security trustee, security agent, or, as the case may be, the lender (calculated other than in the case of the London & Westcountry Property Loans, the Structadene Property Loans and the Trustees of the Sugar Mill Property Loan by reference to a valuation undertaken at the time the relevant Property Loan was originated). None of the Asset Level Loan Agreements place an obligation on the lender to make any further advance to the relevant Asset Level Obligors, other than as set out below.

In respect of the Alpha Property Loans, a total of £13.4m remains undrawn for the purpose of funding the payment of mezzanine interest on that Property Loan.

In respect of the Warner Property Loan, a total of £1.67m is available to the Asset Level Borrowers as a revolving facility provided for the general corporate purposes of that Asset Level Borrower (the "**Warner Revolving Credit Facility**"). The Warner Revolving Credit Facility is repaid on each interest payment date and is then available for redrawing (each such repayment being a "**Warner RCF Repayment**"). The availability period for the Warner Revolving Credit Facility expires on 1 December 2012.

In respect of the Pimlico Property Loan, a total of £4.5m remains undrawn for the purpose of paying funding costs.

For those Property Loans where the relevant Asset Level Obligors are permitted to draw down additional funds, it is anticipated that these drawdowns will be funded by, amongst others, the Obligors from available cash resources held in the Future Funding Obligations Account of the Borrower. On each Loan Payment Date, certain monies standing to the credit of the Income Account will be transferred to the Future Funding Obligations Account up to a maximum of £10,000,000 over the term of the Senior Loan. See "*Summary of the Borrower Transaction Documents – Security Trust and Intercreditor Deed – Income Account – Pre-Material Event of Default*" and "*Summary of the Borrower Transaction Documents – Security Trust and Intercreditor Deed – Future Funding Obligations Account*".

Conditions Precedent

The obligation of each Asset Seller, as lender, to make a loan under the relevant Asset Level Loan Agreement was subject to the relevant security trustee, security agent or, as the case may be, lender first having received at origination of the loan, in the usual manner, certain documents as conditions precedent to funding, in form and substance satisfactory to it. The documentation requirements varied depending upon the terms of each Asset Level Loan Agreement, though certain documents (duly executed) were required in all cases, including (i) the constitutional documents of the relevant Asset Level Obligor (other than in the case of the Red Property Loan, the Green Property Loan, the Yellow Property Loan, the Orange Property Loan, the London & Westcountry Property Loans, the Structadene Property Loans and the Trustees of the Sugar Mill Property Loan), (ii) appropriate board minutes resolutions for the relevant Asset Level Obligor, (iii) an initial valuation in respect of the relevant Asset Level Borrower or Asset Level Obligor's interest in the relevant Asset Level Property (other than in the case of the London & Westcountry Property Loans, the Structadene Property Loans and the Trustees of the Sugar Mill Property Loan), (iv) evidence of appropriate insurance cover in respect of the relevant Asset Level Property (other than in the case of the London & Westcountry Property Loans, the Structadene Property Loans, the Primepanel Property Loan, the Kingswood Property Loan and the Trustees of the Sugar Mill Property Loan), (v) all title documents (or an appropriate undertaking in respect of all title documents) relating to the relevant Asset Level Borrower or Asset Level Obligor's interest in the relevant Asset Level Property (other than in the case of the Red Property Loan, the Green Property Loan, the Yellow Property Loan, the Orange Property Loan, the London & Westcountry Property Loans, the Marlow Property Loan, the Multi-Southgate Property Loan, the Structadene Property Loans, the Bravo Property Loan, and the Trustees of the Sugar Mill Property Loan), (vi) copies of all title searches related to the relevant Asset Level Borrower or Asset Level Obligor's interest in the relevant Asset Level Property (other than in the case of the Colour Property Loans, the London & Westcountry Property Loans, the Multi-Southgate Property Loan, the Structadene Property Loans, the Bravo Property Loan and the Trustees of the Sugar Mill Property Loan), (vii) execution of the Asset Level Finance Documents (other than in the case of the London & Westcountry Property Loans, the Structadene Property Loans and the Trustees of the Sugar Mill Property Loan), and (viii) information relating to the appointment of any relevant asset or property manager (other than in the case of the Colour Property Loans, the Barchester Property Loan, the Heathrow/V&A Property Loan, the Toys "R" Us Property Loan, the DFS Property Loan, the London & Westcountry Property Loans, the Urban Splash Property Loan, the Structadene Property Loans, the

Falcon Property Loan, the Primepanel Property Loan, the Bravo Property Loan, the Caspar Property Loan, the Echo Property Loan and the Trustees of Sugar Mill Property Loan).

Interest and Amortisation Payments/Repayments

Interest under each Asset Level Loan Agreement will generally be paid either quarterly or semi-annually in arrears in respect of successive interest periods. In some instances, the relevant Asset Level Borrowers may select to pay interest either monthly, every two months, quarterly or semi-annually.

The Property Loans have a range of original maturities including Property Loans which (as at the Closing Date) have already matured (being all or part of the London & Westcountry Property Loans, the Bravo Property Loan, the DFS Property Loans and the Marlow Property Loan⁷) to Property Loans which will mature in approximately 25 years. No Property Loan is scheduled to be repaid later than March 2037.

All of the Property Loans are to be repaid in full on their respective final repayment dates. Certain of the Property Loans provide for scheduled amortisation payments, or for prepayments of an amount equal to surplus cash, disposals, compulsory purchase or insurance proceeds in respect of the Asset Level Properties, to be made by the relevant Asset Level Borrower or, if applicable, an Asset Level Obligor on each payment date.

Some of the Asset Level Loan Agreements permit the relevant Asset Level Borrower voluntarily to prepay the relevant Property Loan in whole or in part (but, if in part, usually subject to a minimum prepayment amount) and usually by giving a minimum number of business days prior written notice to the relevant lender or facility agent.

On each payment date, monies will be debited from the relevant Asset Level Control Account (as defined below) to discharge any interest, principal payments and/or other sums due under the relevant Asset Level Loan Agreement and any Asset level hedging arrangements, except in the case of one of the London & Westcountry Property Loans where there are no formal control account arrangements prescribed in the relevant Asset Level Loan Agreement.

Asset Level Control Accounts

Pursuant to the terms of most of the relevant Asset Level Loan Agreements, the relevant Asset Level Borrower or Asset Level Obligors are required to have established one or more bank accounts (the "**Asset Level Control Accounts**") into which rental income and/or other monies received in connection with the relevant Asset Level Property are required to be paid other than in one of the London & Westcountry Property Loans where there is no such requirement however the relevant Asset Level Loan Agreement provides (as do certain of the other Asset Level Loan Agreements) that in the event that the relevant Asset Level Borrower maintains an account with the Asset Level Lender, amounts to service debt may be deducted from such account and if the relevant Asset Level Borrower does not maintain an account with the Asset Level Lender, it is required to make such arrangements as the Asset Level Lender may require regarding payments under the relevant Asset Level Loan Agreement.

Under certain of the Asset Level Loan Agreements, the Asset Level Control Accounts have to be maintained with banks with a certain minimum credit rating from certain rating agencies. The Asset Level Control Accounts may under certain of the Asset Level Loan Agreement be requested to be, or required to be, transferred to another bank which holds the requisite minimum credit ratings.

The Asset Level Control Accounts in respect of a relevant Asset Level Borrower or Asset Level Obligor will include all or some of the following types of accounts:

Rent Account

A relevant Asset Level Borrower or Asset Level Obligor (where applicable) is, subject to the terms of the relevant Asset Level Loan Agreement, required to ensure that some or all of (i) rental income (in some cases, less some or all of, (amongst other amounts), service charges due in respect of any property,

⁷ The maturity date of the Multi-Southgate Property Loan has been extended following the Cut-Off Date as further described herein. The Marlow Asset was sold on 27 July 2012, resulting in a prepayment of the Marlow Property Loan and a resultant partial prepayment of £38.71m of the Senior Loan. Following such prepayment no further amounts are expected to be recovered by the Borrower in respect of the Marlow Property Loan.

ground rent, property or asset management fees, any amounts paid or payable to such relevant Asset Level Borrower or Asset Level Obligor by any tenant by way of contribution to insurance premiums, the cost of an insurance valuation, a sinking fund and taxes), (ii) all amounts payable to such Asset Level Borrower under any Asset level hedging arrangements and/or (iii) insurance proceeds in respect of loss of rent and/or income from other assets through which the relevant Asset Level Borrower or Asset Level Obligor derives any interest in a property, are paid directly into an account designated for the collection of such amounts (the "**Asset Level Rent Account**") in the name of that Asset Level Obligor (where applicable) other than in the case of the Kingswood Property Loan which does not include such requirements. In some instances, rental income is paid by the tenant to a property manager who is obliged to pay the same (in some cases, less some or all of (amongst other amounts), service charges due in respect of any property, ground rent, property or asset management fees, any amounts paid or payable to such Asset Level Borrower or Asset Level Obligor by any tenant by way of contribution to insurance premiums, the cost of an insurance valuation, a sinking fund and taxes) into the Asset Level Rent Account.

Certain of the transactions provide for property or asset managers some of which have entered into a duty of care agreement or undertaking in favour of the relevant security trustee/agent, agent or, as the case may be, lender or are subject to obligations in favour of such parties in the relevant management agreement. In certain cases, benefits under the relevant asset management agreement have been assigned for security purposes to the relevant security trustee/agent, agent, or as the case may be, lender. Under certain of the duty of care agreements or manager undertakings the relevant property manager is required to hold any rental income received upon trust and/or in a designated client account until the same is paid into the Asset Level Rent Account.

In respect of most of the Property Loans, the Asset Level Rent Account is charged by way of fixed or floating security or assigned to the relevant security trustee/agent, agent or, as the case may be, lender and in certain Property Loans the rental income (or other income derived from other assets through which the relevant Asset Level Borrower or Asset Level Obligor derives any interest in a property) has been assigned for security purposes, charged or pledged to the relevant security trustee/agent, agent or, as the case may be, lender. Under certain Property Loans the relevant security trustee/agent, agent or, as the case may be, lender is the sole signatory in respect of the Asset Level Rent Account.

In respect of most of the Property Loans, amounts standing to the credit of the Asset Level Rent Account are applied in accordance with a specified order of priority, other than the Colour Property Loans, the London & Westcountry Property Loans, the Trustees of the Sugar Mill Property Loan, the Structadene Property Loan, the Primepanel Property Loan, the Bravo Property Loan where the amounts standing to the credit of the relevant Asset Level Rent Account are to be applied in payment of (amongst other things) the financing costs in no particularly specified order. The order of priority applying under the Asset Level Loan Agreements is further described in "*Property Loans Summaries*".

Disposal Proceeds Account

Certain of the Asset Level Loan Agreements provide for accounts to be maintained in the name of the relevant Asset Level Obligor (as applicable) into which the proceeds from any disposal of an Asset Level Property or any asset through which an Asset Level Borrower or Asset Level Obligor's interest is derived (including any Ancillary Rights) must be paid (the "**Asset Level Disposal Proceeds Account**") other than (i) the Multi-Southgate Property Loan, the Mapeley Property Loan, the Colour Property Loans, the Kingswood Property Loan, the Craighurst Property Loan and the Trustees of the Sugar Mill Property Loan, where such proceeds are required to be applied in prepayment of some or all of the relevant Asset Level Borrower's obligations under the Asset Level Finance Documents or where a disposal will trigger a default under the relevant Asset Level Loan Agreement unless the related proceeds are applied in prepayment of the relevant Asset Level Borrower's obligations under the Asset Level Finance Documents and (ii) the Heathrow/V&A Property Loan, the Blue Property Loan, the Red Property Loan, the Green Property Loan, the Yellow Property Loan, the London & Westcountry Property Loans, the Marlow Property Loan and the Structadene Property Loans, where the consent of the security trustee/agent, agent, or as the case may be, lender is required for disposals. The security trustee/agent, agent, or as the case may be, lender may be authorised to apply amounts standing to the credit of the Asset Level Disposal Proceeds Account in the manner more particularly described in "*The Property Loans and the Asset Level Security – The Property Loans – Disposals and Substitutions*", including the application of amounts standing to the credit of the Asset Level Disposal Proceeds Account to meet some or all of the relevant Asset Level Borrower's obligations under the Asset Level Finance Documents.

Other Accounts

Certain Asset Level Obligors may be required under the terms of the relevant Asset Level Loan Agreements, to maintain one or more further accounts, in addition to those set out above, in certain cases including a reserve or deposit account where such Asset Level Borrower or Asset Level Obligors would place money on deposit to cure financial covenant defaults.

Representations and Warranties

Each Asset Level Loan Agreement sets out representations and warranties which the relevant Asset Level Borrower and Asset Level Obligors were required to make, usually on the date of the relevant Asset Level Loan Agreement and each utilisation date of the relevant Property Loan and which, subject to certain exceptions, are deemed to be repeated on each interest payment date (or on the first day of each interest period). The Asset Level Loan Agreements generally include the following specific representations and warranties (subject in each case to the specific terms, concessions and qualifications set out in or represented by the relevant Asset Level Loan Agreement):

- (a) the relevant Asset Level Borrower or Asset Level Obligor is incorporated or established and validly existing under the laws of the jurisdiction of its incorporation or establishment;
- (b) the relevant Asset Level Borrower or Asset Level Obligor has the power to enter into and perform, and has taken all necessary action to authorise the entry into and performance of the Asset Level Finance Documents to which it is or will be a party and the transactions contemplated by those Asset Level Finance Documents;
- (c) subject to certain reservations as to matters of law, each Asset Level Finance Document to which the relevant Asset Level Borrower or Asset Level Obligor is a party constitutes legally binding, valid and enforceable obligations of the relevant Asset Level Borrower or Asset Level Obligor and will not conflict with any applicable law or regulation, the constitutional documents of the relevant Asset Level Borrower or Asset Level Obligor or any document binding on the relevant Asset Level Borrower or Asset Level Obligor or any of its assets;
- (d) no Asset Level Loan Event of Default is outstanding and no other event which constitutes an event of default under any other document binding on the relevant Asset Level Borrower or Asset Level Obligor or any of its assets is outstanding which is likely to have a material adverse effect on the relevant Asset Level Borrower's or Asset Level Obligor's ability to perform its material obligations under any Asset Level Finance Document;
- (e) subject in some cases to the completion of the due registration of the relevant Asset Level Borrower or (where relevant) Asset Level Obligor at the relevant land register and save as otherwise disclosed to the finance parties in the certificate of, or report on, title, the relevant Asset Level Borrower or Asset Level Obligor is the legal and/or beneficial owner of the relevant Asset Level Property;
- (f) the assets referred to in the security documents are not subject to any prior or *pari passu* security interests other than as permitted by the relevant Asset Level Loan Agreement;
- (g) subject in some cases to certain *de minimis* exceptions, no litigation, arbitration or administrative proceedings are, to the best of the knowledge and belief of the relevant Asset Level Borrower or Asset Level Obligor, current or threatened which would be likely to have a material adverse effect on the relevant Asset Level Borrower's or Asset Level Obligor's ability to perform its material obligations under any Asset Level Finance Document;
- (h) all relevant information supplied by the relevant Asset Level Borrower to any finance party under an Asset Level Finance Document in connection with the Asset Level Finance Documents was, as at its date or (if appropriate), as at the date (if any) at which it was stated to be given, complete and accurate in all material respects;
- (i) as at the date of the relevant Property Loan and at the date of drawdown of the relevant Property Loan, nothing had occurred since the date of the information referred to in sub-paragraph (h) above which, if disclosed, would make that information untrue or misleading in any material respect;

- (j) the accounts of the relevant Asset Level Borrower most recently delivered to the relevant security trustee, security agent or, as the case may be, lender or the lenders' agent have been prepared in accordance with accounting principles and practices generally accepted in its jurisdiction of incorporation or formation and fairly represent (or, in some cases, give a true and fair view of) the financial condition of the relevant Asset Level Borrower as at the date to which they were drawn up;
- (k) the relevant Asset Level Borrower or Asset Level Obligor is in compliance with all its material obligations under environmental law in relation to the Asset Level Properties; and
- (l) representations as to the ownership of the relevant Asset Level Borrower and Asset Level Obligors.

Under the Asset Level Loan Agreement for the Primepanel Property Loan, representation (d) regarding events of default is not limited to such events of default that have a material adverse effect but rather to events of default which give rise to a claim under any tax indemnity deeds for that Property Loan. This representation in the Asset Level Loan Agreements for the Pimlico Property Loan, the Craighurst Property Loan, the Charlie Property Loan, the Rivlin ABP Property Loan, the Delta Property Loan, the Echo Property Loan or the Rivlin Property Loan is not limited by reference to any material adverse effect.

Representation (e) above regarding ownership of the relevant Asset Level Property is not included in the Asset Level Loan Agreements for the Colour Property Loans, the London & Westcountry Property Loans, the Structadene Property Loans or the Trustees of the Sugar Mill Property Loan. In the Asset Level Loan Agreement for the Multi-Southgate Property Loan, representation (e) also extends to the ownership of units in the relevant property unit trust.

Representation (f) above is not included in the Asset Level Loan Agreements for the Colour Property Loans, the Barchester Property Loan, the Toys "R" Us Property Loan, the London & Westcountry Property Loans, the Marlow Property Loan, the Structadene Property Loans, the Bravo Property Loan or the Beauquette Property Loan. This representation in the Asset Level Loan Agreements for the Pimlico Property Loan, the Barracuda Property Loan, the Rivlin ABP Property Loan, the Rivlin Property Loan and the Trustees of the Sugar Mill Property Loan does not expressly cover ranking but does state that there are no other security interests other than as permitted by the relevant Asset Level Loan Agreement.

Representation (g) above in the Asset Level Loan Agreements for the Bravo Property Loan, the Beauquette Property Loan and the Delta Property Loan is not limited by reference to any material adverse effect.

Representations (h) and (i) above regarding information provided are not included in the Asset Level Loan Agreements for the Colour Property Loans (other than the Blue Property Loan), the London & Westcountry Property Loans, the Structadene Property Loans, the Bravo Property Loan, the Delta Property Loan, the Caspar Property Loan and the Trustees of the Sugar Mill Property Loan. In addition, representation (i) is also not included in the Asset Level Loan Agreements for the DFS Property Loan, the Barracuda Property Loan, the Kingswood Property Loan, the Craighurst Property Loan, the Charlie Property Loan and the Echo Property Loan.

In the Asset Level Loan Agreement for the Urban Splash Property Loan, representation (j) above in respect of accounts is limited to the original financial statements delivered to the relevant security trustee, security agent, lender or lenders' agent.

Representation (k) above as to environmental law compliance is not included in the Asset Level Loan Agreements for the Blue Property Loan, the Mapeley Property Loan, the Bravo Property Loan and the Beauquette Property Loan.

Representation (l) above is not included in the Asset Level Loan Agreements for the Colour Property Loans, the London & Westcountry Property Loans, the Structadene Property Loans, the Bravo Property Loan, the Kingswood Property Loan and the Trustees of the Sugar Mill Property Loan.

Representations (e) and (k) above are not included in the Asset Level Loan Agreement for the Caspar Property Loan as the asset-owning entities are not party to it but instead are party to a loan agreement made available to them by the Asset Level Borrower which includes applicable property representations. The Asset Level Borrower undertakes to the lenders' agent to preserve, exercise and enforce its rights under such loan agreement.

Undertakings

Each Asset Level Obligor (where relevant) has given various undertakings under the relevant Asset Level Loan Agreement which are expressed in most cases to take effect so long as any amount is outstanding under the relevant Asset Level Loan Agreement or any commitment is in place. These undertakings generally include the following (subject in each case to the specific terms, concessions and qualifications set out in, or represented by, the relevant Asset Level Loan Agreement):

- (a) to provide the lender or the lenders' agent with its audited accounts for each of its financial years, within a certain specified time of the end of each financial year, and in some instances, unaudited financial statements for each of its financial half-years or financial quarters within a certain specified time of the end of each financial half-year;
- (b) to notify the lender or the lenders' agent promptly of any Asset Level Loan Event of Default;
- (c) not to create or allow to exist any charge arising over any of its assets (other than certain customary exceptions (and, in the case of the Bravo Property Loan, occupational leases) and where otherwise permitted under the relevant Asset Level Finance Documents);
- (d) not to dispose of all or any part of its assets subject to certain customary exceptions and where otherwise permitted under the relevant Asset Level Finance Documents, including in some instances the right to make substitutions;
- (e) not to enter into any amalgamation, demerger, merger or reconstruction other than as expressly permitted in the relevant Asset Level Finance Documents;
- (f) either (i) not to change the nature of its business or (ii) not to carry on any business other than the ownership, management, letting and development of its interests in the relevant Asset Level Property or Asset Level Properties or the ownership of shares in an Asset Level Borrower or other Asset Level Obligor (as the case may be);
- (g) not to make any loans or provide any form of credit or to give any guarantee or indemnity to any person;
- (h) subject to certain customary or *de minimis* exceptions and where otherwise permitted under the relevant Asset Level Finance Documents, not to incur any indebtedness other than indebtedness subordinate in priority to the relevant Property Loan;
- (i) except as expressly permitted and subject to the conditions set out in the relevant Asset Level Finance Documents, not to declare or pay any dividend or make any distribution in respect of its shares, nor to issue any further shares or, in some cases, alter any rights attaching to its issued shares as at the date of the relevant Asset Level Loan Agreement, nor to repay or redeem any of its share capital;
- (j) to comply with certain specified undertakings regarding the administration of leases (or in some instances leases over a certain *de minimis* value) and where relevant the appointment or termination of appointment of asset or property managers in respect of the relevant Asset Level Property;
- (k) to maintain insurance with an insurer, in some instances with a minimum credit rating from the Rating Agency and in some instances with a reputable insurer or an insurer acceptable to the relevant lender or lenders' agent (in some cases, acting reasonably), on the relevant Asset Level Property usually on a full reinstatement value basis and in most instances for not less than three years' loss of rent on all leases, together with third party liability insurance and insurance against acts of terrorism (in some cases only if required by the lender or to the extent available in the UK market on commercially reasonable terms) and in most cases to procure either that the security trustee, security agent or, as the case may be, lender or the lenders' agent is (i) named as co-insured in or (ii) noted on all relevant insurance policies;
- (l) to maintain or not exceed certain thresholds in relation to the ratio of projected net operating income to projected finance and/or interest costs and/or net rental income to historic and/or projected finance and/or interest costs and/or loan to value ratio; and

- (m) to keep the relevant Asset Level Property or Asset Level Properties (or, in the case of the Multi-Southgate Property Loan, to procure they are kept) in repair (in the case of the relevant Kingswood Property Loan Asset Level Obligors, only to the extent that tenants are not responsible themselves for repair under the relevant occupational leases).

Undertaking (a) regarding audited financial statements is not included in the Asset Level Loan Agreements in respect of the Heathrow/V&A Property Loan, the Multi-Southgate Property Loan, the Pimlico Property Loan or the Rivlin Property Loan. In the latter three instances unaudited or management accounts are required to be provided instead.

Undertaking (b) concerning notifications of Asset Level Loan Events of Default is not made in the Asset Level Loan Agreements for the Colour Property Loans, the London & Westcountry Property Loans, the Trustees of the Sugar Mill Property Loan, the Charlie Property Loan or the Echo Property Loan. In the case of the latter two Property Loans, the relevant Asset Level Obligor is required periodically to provide a certificate of no default.

Undertaking (c), the negative pledge, is not made in the Asset Level Loan Agreement for the Structadene Property Loans.

Undertaking (e) regarding mergers is not included in the Asset Level Loan Agreements in respect of the Colour Property Loans, the London & Westcountry Property Loans, the Trustees of the Sugar Mill Property Loan or the Bravo Property Loan.

Undertaking (f) on change of business is not made in the Asset Level Loan Agreement for the Trustees of the Sugar Mill Property Loan.

Undertaking (g) in respect of lending is not made in the Asset Level Loan Agreement for the London & Westcountry Property Loans, the Trustees of the Sugar Mill Property Loan, the Structadene Property Loans or the Barracuda Property Loan and undertaking (g) in respect of guarantees is not made in the Asset Level Loan Agreement for the London & Westcountry Property Loans, the Trustees of the Sugar Mill Property Loan or the Structadene Property Loans.

Undertaking (h) as to financial indebtedness is not made in the Asset Level Loan Agreement for the Structadene Property Loans.

Undertaking (i) regarding distributions is not included in the Asset Level Loan Agreements in respect of the London & Westcountry Property Loans, the Trustees of the Sugar Mill Property Loan, the Structadene Property Loans, the Primepanel Property Loan, the Colour Property Loans (other than the Blue Property Loan). Undertaking (i) as it regards issuing shares or altering share rights is not included in the Asset Level Loan Agreements for the Colour Property Loans (other than the Blue Property Loan), the DFS Property Loan, the London & Westcountry Property Loans, the Structadene Property Loans, the Primepanel Property Loan, the Pimlico Property Loan, the Barracuda Property Loan, the Kingswood Property Loan, the Rivlin ABP Property Loan, the Rivlin Property Loan and the Trustees of the Sugar Mill Property Loan, and the alteration of share rights is not restricted in the Caspar Property Loan, the Prestbury Property Loan, the Falcon Property Loan or the Warner Property Loan. The repayment or redemption of share capital is not restricted in the Urban Splash Property Loan.

Undertaking (j) above, in respect of the administration of leases, is not included in the Asset Level Loan Agreements in respect of the Colour Property Loans or the Trustees of the Sugar Mill Property Loan. In respect of the appointment of asset or property managers, it is not included in the Asset Level Loan Agreements for the Colour Property Loans, the Charlie Property Loan, the DFS Property Loan, the London & Westcountry Property Loans, the Heathrow/V&A Property Loan, the Urban Splash Property Loan, the Falcon Property Loan, the Structadene Property Loans, the Primepanel Property Loan, the Echo Property Loan or the Trustees of the Sugar Mill Property Loan.

In the Asset Level Loan Agreements for the Kingswood Property Loan, the Barracuda Property Loan and Mapeley Property Loan, undertaking (k) above to maintain insurance only applies to the extent that tenants are not responsible themselves for insurance under the relevant occupational leases. In the Asset Level Loan Agreements for the Colour Property Loans, the London & Westcountry Property Loans, the

Structadene Property Loans, the Beaucette Property Loan⁸ and the Trustees of the Sugar Mill Property Loan, the relevant Asset Level Borrower or Asset Level Obligor is only required to insure against fire and other reasonable risks or against risks that are customary for a business or a similar nature, and the obligation to insure in the Asset Level Loan Agreement for the Toys "R" Us Property Loan is subject to insurance being commercially available at a reasonable cost. As regards the co-insurance or the noting of the relevant finance party on the relevant insurance policies, this is not required by the terms of the Asset Level Loan Agreements for the Colour Property Loans, the London & Westcountry Property Loans, the Trustees of the Sugar Mill Property Loan, the Multi-Southgate Property Loan, the Echo Property Loan, the Structadene Property Loans or the Charlie Property Loan and it is only a condition precedent requirement rather than an ongoing covenant in the Beaucette Property Loan. In the cases of the Asset Level Loan Agreements for the Prestbury Property Loan, one of the London & Westcountry Property Loans, the Structadene Property Loans, the Primepanel Property Loan, the Pimlico Property Loan and the Craighurst Property Loan, there is no requirement for the insurance to be placed with a reputable insurer or an insurer acceptable to the relevant lender or lenders' agent or for the insurer to have a minimum credit rating from the relevant rating agency, and such requirement is a condition precedent rather than an ongoing covenant in the Beaucette Property Loan.

No financial covenants, as set out in (l) above, are included in the Asset Level Loan Agreement in respect of one of the London & Westcountry Property Loans (as indicated in "*Detailed Summaries of Material Loans*" below).

Undertaking (m) above to keep in repair is not included in the Asset Level Loan Agreements in respect of the London & Westcountry Property Loans, the PPH1 Property Loan, Craighurst Property Loan or the Toys "R" Us Property Loan.

Under the Asset Level Loan Agreement for the Barracuda Property Loan, undertakings (d), (e) and (f) are made only in respect of the asset-owning Asset Level Obligors. Under the Asset Level Loan Agreement for the Kingswood Property Loan, undertakings (j), (m) and (k) above are made only by the asset-owning Asset Level Obligors.

The Asset Level Loan Agreement for the Caspar Property Loan does not include undertakings (j), (k), (l) or (m) above as the asset-owning entities are not party to it but instead are party to a loan agreement made available to them by the Asset Level Borrower which includes applicable property and financial undertakings. The Asset Level Borrower undertakes to the lenders' agent to preserve, exercise and enforce its rights under such loan agreement, and no change to those property or financial undertakings may be made without the lenders' agent's consent.

Disposals and Substitutions

The relevant Asset Level Borrower or Asset Level Obligor may be permitted to dispose of an Asset Level Property or, as the case may be, Asset Level Properties or, as the case may be, such other assets through which the relevant Asset Level Borrower's or Asset Level Obligor's interest is derived in accordance with the terms of the relevant Asset Level Loan Agreement, or otherwise with the consent of the relevant security trustee/agent, agent or, as the case may be, lender. In addition, in relation to the Multi-Southgate Property Loan the relevant Asset Level Borrower or Asset Level Obligor is/are subject to procurement obligations to prevent disposals by one or more other entities in the transaction structure.

On disposal of an Asset Level Property or, as the case may be, Asset Level Properties or, as the case may be, such other assets through which the relevant Asset Level Borrower's or Asset Level Obligor's interest is derived in accordance with the terms of the relevant Asset Level Loan Agreement, the proceeds or net proceeds of sale (or the allocated loan amount or relevant release price for the relevant Asset Level Property or other asset) are in the majority of cases required to be paid into the relevant Asset Level Disposal Proceeds Account or such other account designated for such purpose.

Where disposal proceeds have been credited into a specified account, such amounts standing to the credit of the relevant account are in certain cases required to be applied (in whole or part) either in prepayment of the relevant Property Loan and/or payments of other amounts due under the Asset Level Finance

⁸ More extensive insurance undertakings appear to be contained within the security documents for this loan, which we have not been provided with.

Documents or, where permitted under the terms of the Asset Level Loan Agreement, may be applied towards acquiring a substitute property.

The Barchester Property Loan, the DFS Property Loan, the Prestbury Property Loan, the Toys "R" Us Property Loan, the Primepanel Property Loan, the Alpha Property Loans, the PPH1 Property Loan, the Barracuda Property Loan, the Rivlin ABP Property Loan, the Rivlin Property Loan and the Urban Splash Property Loan each permit a relevant Asset Level Borrower or Asset Level Obligor to substitute any initial property (or, in certain cases, any replacement property) during the term of the relevant Asset Level Loan Agreement. In certain cases, such substitution may be subject to the consent of all or some of the finance parties and/or limitations relating to the percentage by market value or rental value of the properties substituted and/or the fulfilment of other substitution criteria including (in certain cases), in particular, criteria relating to the value, location, tenant, lease term and rental income of the relevant substitute property.

Asset Level Loan Events of Defaults

The Asset Level Loan Agreements contain typical events of default (in each case an "**Asset Level Loan Event of Default**") entitling the security trustee, security agent or, as the case may be, lenders or lenders' agent (subject, in certain cases, to customary grace periods and materiality thresholds) to accelerate the relevant Property Loan and enforce the related security. These Asset Level Loan Events of Default generally include:

- (a) failure to pay on the due date any amount due under the Asset Level Finance Documents;
- (b) breach of other specified obligations under the Asset Level Finance Documents;
- (c) any representation or warranty made or repeated by the relevant Asset Level Borrower, or in some cases the relevant Asset Level Obligor, being incorrect in any material respect at the date it is given or when it is deemed to be repeated;
- (d) subject to certain customary exceptions, the relevant Asset Level Borrower is or is deemed to be unable to pay its debts as they fall due or is insolvent or other insolvency acts or events occur in the jurisdiction of its incorporation (including the commencement of insolvency proceedings, the appointment of any liquidator or administrative receiver or administrator or, in most cases, the attachment or sequestration of any asset);
- (e) the relevant Asset Level Borrower ceases or, threatens to cease, to carry on its permitted business (or in some cases a substantial part of its permitted business), subject in some cases to disposals permitted under the relevant Asset Level Finance Documents;
- (f) it is or becomes unlawful for the relevant Asset Level Borrower or, in some cases, the relevant Asset Level Obligor to perform any of its obligations under any Asset Level Finance Document;
- (g) any Asset Level Finance Document is not effective or is alleged by the relevant Asset Level Borrower or (in some cases) the relevant Asset Level Obligor to be ineffective for any reason;
- (h) the relevant Asset Level Borrower, or certain other specified parties, without the prior written consent of the lender, is not or ceases to be legally and beneficially owned by the relevant shareholder or by other specified parties (as appropriate) in circumstances where the lender has not consented to such event (and in certain cases, thereafter fails to repay the relevant Property Loan);
- (i) an event or series of events occurs which has or is likely to have a material adverse effect on the relevant Asset Level Borrower's ability to perform its material obligations under any Asset Level Finance Document;
- (j) major damage to an Asset Level Property (in some cases subject to the prepayment cure rights specified in the relevant Asset Level Loan Agreement); and
- (k) where applicable, breach of financial covenants subject to the cure rights specified in the Asset Level Loan Agreements and in some cases a grace period.

The Asset Level Loan Event of Default specified in (d) above is a cash flow test only, and not a balance sheet test, in the Asset Level Loan Agreement for the Echo Property Loan.

The Asset Level Loan Event of Default specified in (e) above is not included in the Asset Level Loan Agreements in respect of the Colour Property Loans, the London & Westcountry Property Loans or the Structadene Property Loans.

The Asset Level Loan Event of Default specified in (f) above is not included in the Asset Level Loan Agreements in respect of the Colour Property Loans, the London & Westcountry Property Loans, the Structadene Property Loans or the Trustees of the Sugar Mill Property Loan. In the Asset Level Loan Agreements for the Echo Property Loan, this Asset Level Loan Event of Default relates to the terms of the transaction documents only, and not the effectiveness of any security.

The Asset Level Loan Event of Default specified in (g) above is not included in the Asset Level Loan Agreements in respect of the Colour Property Loans, the London & Westcountry Property Loans, the Structadene Property Loans, the Bravo Property Loan, the Beaucette Property Loan or the Trustees of the Sugar Mill Property Loan. In addition, this Asset Level Loan Event of Default in the Asset Level Loan Agreement for the Primepanel Property Loan extends only to security.

Asset Level Loan Event of Default (h) above regarding a change of control is not included in the Asset Level Loan Agreement in respect of the Bravo Property Loan, nor is it included as an Asset Level Loan Event of Default in the Asset Level Loan Agreements for the Warner Property Loan, the Toys "R" Us Property Loan, the DFS Property Loan, the Barracuda Property Loan or the Craighurst Property Loan although in such Asset Level Loan Agreements a change of control is specified as a mandatory prepayment or cancellation event. In the Asset Level Loan Agreement for the Kingswood Property Loan, the equivalent Asset Level Loan Event of Default is in relation to units in the relevant property unit trust, rather than ownership of the relevant Asset Level Borrower. In the Asset Level Loan Agreement for the Charlie Property Loan the lender's consent to a change of control must not be unreasonably withheld. This Asset Level Loan Event of Default is not applicable to, and therefore is not included in, the Asset Level Loan Agreement for the Trustees of the Sugar Mill Property Loan.

The Asset Level Loan Event of Default specified in (i) above is not included in the Asset Level Loan Agreement in respect of the Primepanel Property Loan.

The Asset Level Loan Event of Default specified in (j) above is not included in the Asset Level Loan Agreements for the Blue Property Loan, the DFS Property Loan, one of the London & Westcountry Property Loans, the Structadene Property Loans, the Primepanel Property Loan, the Bravo Property Loan, the Beaucette Property Loan or the Barracuda Property Loan. In respect of the Warner Property Loan, this Asset Level Loan Event of Default only applies to the extent the Asset Level Property is not fully insured or taking into account the compensation payable.

Asset Level Loan Event of Default (k) above in respect of the breach of financial covenants is not included in the Asset Level Loan Agreements for the Multi-Southgate Property Loan, the Bravo Property Loan, the Beaucette Property Loan, the Charlie Property Loan or the Delta Property Loan (although indirectly Asset Level Loan Event of Default (b) above covers such a breach subject to the applicable grace periods).

The Asset Level Loan Agreement for the Caspar Property Loan does not include the Asset Level Loan Event of Default specified in (j) or (k) above as the asset-owning entities are not party to it but instead are party to a loan agreement made available to them by the Asset Level Borrower which includes applicable events of default. The Asset Level Borrower undertakes to the lenders' agent to preserve, exercise and enforce its rights under such loan agreement, and no change to those events of default may be made without the lenders' agent's consent.

In relation to non-payment, breaches of other obligations and misrepresentations, in most cases the Asset Level Loan Agreement includes customary grace periods. In most instances these grace periods are two (2) or three (3) business days, and in no case longer than seven (7) business days, for non-payment (limited in most cases to non-payment due to a technical or administrative error) and are in the range of three (3) to twenty-eight (28) business days for breaches of other obligations. The grace periods for remedying a misrepresentation capable of remedy vary from five (5) business days to twenty (20) business days.

Asset Level Security

Each Asset Level Finance Document which creates or purports to create security (the "**Asset Level Security**") in favour of the relevant security trustee, security agent or, as the case may be, lender (an "**Asset Level Security Document**") secures (in most instances subject to certain exceptions including the Asset Level Third Party Share Security (as defined below)), all of the obligations of the Asset Level Borrower or of the relevant chargor (as the case may be) to the relevant Asset Level Lender pursuant to the Asset Level Finance Documents and in some instances secures the interests of finance parties under other loan agreements subject to the terms of intercreditor agreements as described below (see "*The Property Loans and the Asset Level Security – The Property Loans – Intercreditor Arrangements*").

Each Asset Level Security Document either creates security over the chargor's assets in favour of the relevant lender directly or creates a security trust over the Asset Level Security created in respect of the chargor's assets such that the relevant security trustee, security agent or, as the case may be, lender holds the Asset Level Security created thereby on trust for the benefit of certain parties.

In most cases the Asset Level Security will, amongst other things, include security:

- (a) by way of first ranking legal mortgage, standard security or other charge or hypothec (subject to completion of registration at the relevant land registry in each jurisdiction where an Asset Level Property is located (being England & Wales, Scotland, Jersey, Northern Ireland and the Isle of Man)), over the relevant freehold, heritable or leasehold Asset Level Property against which the lender has agreed to lend and, where relevant by way of first fixed charge, over all freehold or leasehold Asset Level Property located in England & Wales subsequently owned by it;
- (b) by way of first fixed charge or pledge over its interest in all shares, stocks, units, debentures, bonds or other securities and investments owned by it or held by any nominee on its behalf;
- (c) by way of assignment for security purposes, first fixed charge, pledge or, as the case may be, legal delegation over claims in insurance proceeds, insurance benefits and bank accounts;
- (d) by way of assignment for security purposes, first fixed charge or pledge over the Asset level hedging arrangements; and
- (e) by way of first fixed charge or pledge or by way of assignment for security purposes of all rights, title and interest in rent.

Paragraph (a) above does not apply to the Multi-Southgate Property Loan because the relevant Asset Level Borrower does not own the Asset Level Property relating to that Property Loan (see "*Property Loan Summaries – Loan 14/Connection ID 12 - Multi-Southgate*" for more information), the Barracuda Property Loan where certain Asset Level Properties were excluded from the security while consent to charge was obtained, or the Caspar Property Loan because the relevant Asset Level Borrower does not own the Asset Level Properties relating to that Property Loan. The Asset Level Borrower in respect of the Caspar Property Loan has the benefit of a fixed charge over the Asset Level Property and it has by way of security assigned that benefit to the lenders' trustee.

Paragraph (b) above does not apply in relation to the Colour Property Loans, the London & Westcountry Property Loans, the Bravo Property Loan, the Beaucette Property Loan or the Trustees of the Sugar Mill Property Loan. In relation to the Colour Property Loans, the relevant Asset Level Borrower has granted share security in favour of the lender over some of its subsidiaries but not over its interest in all of the entities owning Asset Level Properties in the portfolio. In relation to the Caspar Property Loan, the security granted comprises an assignment by way of security of the benefit of a first fixed charge over shares.

Paragraph (c) above does not apply to the London & Westcountry Property Loans, the Multi-Southgate Property Loans (in respect of bank accounts and insurance at the level of the property-owning vehicles (see "*Property Loan Summaries – Loan 14/Connection ID 12 - Multi-Southgate*" for more information), the Structadene Property Loans (in respect of insurance) the Bravo Property Loan, the Trustees of the Sugar Mill Property Loan or to a limited number of bank accounts opened by chargors under Asset Level Finance Documents in respect of the other Property Loans. In addition, security over insurance proceeds has not been taken under the Asset Level Finance Documents for the Toys "R" Us Property Loan or the

Colour Property Loans. The security granted in respect of the Caspar Property Loan comprises an assignment by way of security of the benefit of a first fixed charge over insurance proceeds.

Paragraph (d) above does not apply to the Bravo Property Loan, the Echo Property Loan and the Trustees of Sugar Mill Property Loan.

Paragraph (e) above does not apply to the Asset Level Security in respect of the Multi-Southgate Property Loan (for more information see "*Property Loan Summaries – Loan 14/Connection ID 12 - Multi-Southgate*"), the Structadene Property Loans (in respect of certain Asset Level Properties), the Bravo Property Loan, the Barracuda Property Loan in respect of the Asset Level Properties located in Scotland, the Caspar Property Loan or the Trustees of the Sugar Mill Property Loan (in respect of certain Asset Level Properties).

In most cases, the shareholders of the Asset Level Borrowers have granted security over the shares of (or other ownership interest in) the Asset Level Borrowers and guarantors (the "**Asset Level Third Party Share Security**"). However, no security has been granted over the Asset Level Borrowers in respect of the following Property Loans: the Colour Property Loans, the Warner Property Loan (although Asset Level Security has been granted over some but not all of the shares of the Asset Level Borrowers), the DFS Property Loan (in relation to the guarantor only), the London & Westcountry Property Loans, the Urban Splash Property Loan (in relation to the limited recourse guarantor only) the Bravo Property Loan, the Beaucette Property Loan, the Barracuda Property Loan (in relation to the guarantor only), the Kingswood Property Loan, the Charlie Property Loan (in relation to the guarantor only) the Caspar Property Loan and the Trustees of the Sugar Mill Property Loan.

Each Asset Level Borrower has granted a floating charge over all of that Asset Level Borrower's assets which are not subject to fixed charges subject, in the case of the Barchester Property Loan to certain other permitted security interests and with the exception of certain Asset Level Obligors in the case of the Warner Property Loan and the Trustees of the Sugar Mill Property Loan.

In most instances and save as otherwise described in this Prospectus, or where it is not legal practice to specify the ranking of the security under the law in which the relevant Asset Level Security is created, all security is expressed to be first ranking. All rights or remedies provided for by the Asset Level Security Document or available at law will be exercisable at such time by the relevant security trustee, security agent or, as the case may be, lender. Each Asset Level Security Document is governed by either the law of the applicable country where the relevant secured asset is located or by a law which is recognised as validly creating a security interest in the jurisdiction where the relevant secured asset is located.

Subject to certain exceptions, including in some instances the Asset Level Third Party Share Security, the representations and warranties given and to be given by each relevant chargor in connection with the Asset Level Security as of the date of the relevant Asset Level Security Document and in certain cases, amongst others, on the first day of each interest period (or, in other cases at all times while the secured obligations under the relevant Asset Level Finance Documents remain outstanding) include and will include statements (as appropriate) to the effect that, amongst other things, and subject in limited cases to customary exceptions:

- (a) the Asset Level Security Document creates or will create the security interests it purports to create;
- (b) the relevant Asset Level Obligor has obtained all consents, licences and authorisations required by it in connection with its ownership or operation (as applicable) of each relevant Asset Level Property or, as the case may be, Asset Level Properties, and all such consents, licences and authorisations remain in full force and effect; and
- (c) the property owning chargor has obtained all requisite environmental approvals required for the carrying on of its business as currently conducted.

Paragraph (a) above does not apply to the Colour Property Loans, the London & Westcountry Property Loans, the Structadene Property Loans, the Bravo Property Loan and the Trustees of the Sugar Mill Property Loan.

Paragraph (b) above does not apply to the Caspar Property Loan and in respect of the Colour Property Loans, the London & Westcountry Property Loans, the Structadene Property Loans and the Primepanel

Property Loan the relevant Asset Level Obligor does not confirm that such consents, licences and authorisations are in full force and effect.

Paragraph (c) above does not apply to the Bravo Property Loan and the Caspar Property Loan.

In addition, each chargor has undertaken (other than in the case of certain limited exceptions), amongst other things, and subject in limited cases to customary exceptions:

- (a) not to create or permit any security interest over the assets of the chargor secured by the relevant Asset Level Security Document (other than any security interest created in connection with the Asset Level Security, regulated by the terms of an intercreditor agreement or permitted under the terms of the relevant Asset Level Loan Agreement);
- (b) not to sell, transfer, licence, lease or otherwise dispose of any asset secured under the relevant Asset Level Security Document otherwise than as permitted under the terms of the relevant Asset Level Loan Agreement;
- (c) in respect of the Asset Level Property owning chargor, to comply with all provisions of any applicable laws, including environmental laws (except in the case of the Asset Level Third Party Share Security); and
- (d) where relevant, to give notice of the security interests granted to the relevant security trustee, security agent or, as the case may be, lender to each tenant under the leases in respect of the relevant Asset Level Property (in some cases, such notices having been served on drawdown, in other cases, notices to be served only on default or as requested by the security trustee) or the relevant Asset Level Finance Document includes further assurance obligations.

Paragraph (c) above does not apply to the Bravo Property Loan and the Caspar Property Loan.

Paragraph (d) above does not apply to the Caspar Property Loan.

Generally, the Asset Level Security will only be enforceable once an Asset Level Loan Event of Default has occurred, if the Property Loan has been accelerated and, in some cases, if an Asset Level Loan Event of Default remains outstanding. In relation to the Asset Level Security Documents governed by Guernsey law the power of sale or application (as the case may be) provided for in Asset Level Security Documents that establish Guernsey security interests over intangible moveable property is exercisable only if the secured party has first served on the grantor of such security a notice specifying the relevant event of default. In relation to the Asset Level Security Documents governed by Jersey law, the power of sale or appropriation (as the case may be) provided for in Asset Level Security Documents that establish Jersey security interests over intangible moveable property is only exercisable if the secured party has first served on the grantor of such security a notice specifying the relevant event of default and if the default is capable of remedy, requiring the grantor to remedy it, and the grantor then fails to remedy the default (if it is capable of remedy) within 14 days after receiving such notice.

The relevant Asset Level Security Document confers upon the relevant security trustee, security agent or, as the case may be, lender and/or any receiver appointed by it (**provided that** no receiver may be appointed pursuant to any Asset Level Security Document governed by Jersey law, Guernsey law or Luxembourg law), a wide range of powers in connection with the sale or disposal of the Asset Level Property and its management and in some instances, for example some of the Asset Level Third Party Share Security, voting rights. In certain jurisdictions including Scotland, statutory procedures relating to enforcement apply to certain forms of security, including, for instance, in Scotland the rights of a heritable creditor under a standard security. Such statutory procedures must be followed in order to ensure that a power of sale is achieved. For Jersey security over intangible moveables, the only enforcement power is a power of sale (or appropriation in the case of a bank account). A Jersey hypothec over immoveable property confers a right to the proceeds of disposal of that property. In most cases, the relevant security trustee, security agent, lender or, as the case may be, receiver has been granted a power of attorney on behalf of the chargor in connection with the enforcement of the Asset Level Security.

Subordination

In relation to certain of the Property Loans, creditors of the relevant Asset Level Borrowers and Asset Level Obligors have entered into subordination agreement. Such creditors (other than the finance parties)

(the "**Asset Level Subordinated Creditors**") have in respect of each of the Property Loans (where applicable) entered into a subordination agreement with, amongst others, the relevant security trustee, security agent or, as the case may be, lender and/or lender's agent, pursuant to which each Asset Level Subordinated Creditor has undertaken that whilst any amount remains due and outstanding under, amongst other things, the relevant Property Loan, it shall not demand or receive payment of any Asset Level Subordinated Debt (other than as permitted under the relevant Property Loan and the relevant subordination agreement).

Intercreditor Arrangements

(a) *The Borrower's interest in each of the Property Loans*

Other than the Colour Property Loans, the Warner Property Loan, the London & Westcountry Property Loans, the Marlow Property Loan, the Primepanel Property Loan, the Structadene Property Loans, the Charlie Property Loan, the Delta Property Loan, the Beaucette Property Loan, the Bravo Property Loan, the Echo Property Loan and the Trustees of the Sugar Mill Property Loan, part of each of the Property Loans has been syndicated to one or more lenders (the "**Syndicated Property Loans**").

The DFS Property Loan, the Multi-Southgate Property Loan, the Urban Splash Property Loan and the Mapeley Property Loan have been syndicated on a *pari passu* basis (the "**Untranch Syndicated Property Loans**").

The remaining Syndicated Property Loans have been tranch and the Borrower or a WorkoutCo has retained a senior or a junior piece of the relevant Property Loan. The Borrower or a WorkoutCo has an interest in the senior tranche only of the following Property Loans: the Prestbury Property Loan and the Barracuda Property Loan. (the "**Senior Only Tranch Loans**" and together with the senior tranches of the Senior and Junior Tranch Loans, the "**Senior Property Loans**").

The Borrower or a WorkoutCo has an interest in both the senior and the junior tranches of the following Property Loans: the PPH1 Property Loan, the Falcon Property Loan, the Craighurst Property Loan, the Pimlico Property Loan and the Heathrow/V&A Property Loan (for the Pimlico Property Loan and the Heathrow/V&A Property Loan there are two senior tranches, a stretch senior piece and a senior piece, whose rights are determined in a separate intercreditor agreement (each a "**Senior Intercreditor Agreement**") than the intercreditor agreement governing their relationship with the mezzanine/junior lenders), (the "**Senior and Junior Tranch Loans**"). The Borrower or a WorkoutCo has an interest in the stretch senior piece of the Pimlico Property Loan but has no interest in the senior piece of that Property Loan.

The Borrower or a WorkoutCo has an interest in the junior tranche(s) only of the following Property Loans: the Barchester Property Loan, the Toys "R" Us Property Loan, the Alpha Property Loans, the Kingswood Property Loan, the Caspar Property Loan, the Rivlin ABP Property Loan and the Rivlin Property Loan (the "**Junior Only Tranch Loans**" and together with the junior tranches of the Senior and Junior Tranch Loans, the "**Junior Property Loans**"). For the Barchester Property Loan, there are four tranches, A1, A2, B and C. The Borrower or a WorkoutCo holds 51 per cent. of tranche C and 33 per cent. of tranche A2. In respect of the Alpha Property Loans, there are two tranches of the junior piece, one being the stretch mezzanine tranche and one being a mezzanine tranche. The Borrower or a WorkoutCo holds 20.7 per cent. of the former and 100 per cent. of the latter.

Figure 7 "*Control Characteristics of Tranch Loans (comprising 19 Property Loans) within the Property Loan Portfolio*" contains more information about the amount of debt held by the Obligors in respect of each Property Loan and its ranking (see "*The Property Loans and the Asset Level Security – Property Loan Portfolio Characteristics*").

The Borrower or a WorkoutCo is not the majority lender in respect of any of the Untranch Syndicated Property Loans. However, for the Multi-Southgate Property Loan and the Urban Splash Property Loan, the Borrower or a WorkoutCo holds 50 per cent. and 40 per cent. respectively of the relevant Property Loan and so no majority lender decisions may be taken in

respect of those Property Loans without the consent of the Borrower or the relevant WorkoutCo (as applicable).

In respect of the Senior Only Tranched Loans, the Borrower or a WorkoutCo is not the majority senior lender. In respect of the Senior and Junior Tranched Loans, the Borrower or a WorkoutCo is the majority senior lender in respect of the PPH1 Property Loan but holds only a minority senior interest in the Falcon Property Loan and a minority senior and a minority junior interest in respect of the Craighurst Property Loan. The Borrower or a WorkoutCo holds no interest in the senior tranche of the Pimlico Property Loan but holds the entire stretch senior and mezzanine tranches of that Property Loan and so controls those tranches. Whilst the Borrower or the relevant WorkoutCo (as applicable) is not the majority senior lender under the Heathrow/V&A Property Loan, it holds 51.6 per cent. of the senior tranche of that Property Loan and so no majority senior lender decision may be made without the consent of the Borrower or the relevant WorkoutCo (as applicable). The Borrower or a WorkoutCo also holds the entire of the stretch senior tranche of the Heathrow/V&A Property Loan and, therefore, controls the stretch senior tranche of that Property Loan. The Borrower or a WorkoutCo is also the only lender (and, therefore, the majority junior lender) of the junior tranche of the Heathrow/V&A Property Loan. With respect to the Falcon Property Loan, the Borrower or a WorkoutCo has a minority junior interest. With respect to the PPH1 Property Loan, the Borrower or a WorkoutCo also has a minority junior interest but as the Borrower or the relevant WorkoutCo (as applicable) is the majority senior lender, this will only be relevant after repayment in full of the senior tranche of the PPH1 Property Loan.

In respect of the Junior Only Tranched Loans, the Borrower or a WorkoutCo is the only lender (and, therefore, the majority junior lender) of the junior tranche of the Kingswood Property Loan, the Toys "R" Us Property Loan, the Rivlin ABP Property Loan and the Rivlin Property Loan. For the Caspar Property Loan, the Borrower or a WorkoutCo holds 51.3 per cent. of the junior tranche which means that no majority junior lender decisions may be taken without the consent of the Borrower or the relevant WorkoutCo (as applicable) in respect of that Property Loan. In respect of the Alpha Property Loans, the Borrower or a WorkoutCo has a minority interest in the stretch mezzanine tranche but is the majority (and only) lender of the subordinated mezzanine tranche. In respect of the Barchester Property Loan, while the Borrower or the relevant WorkoutCo (as applicable) is neither the majority lender in respect of the A2 tranche nor a majority lender in respect of the C tranche, decisions made by the majority lenders of the A2 tranche and the majority lenders of the C tranche respectively may not be made without the consent of the Borrower or the relevant WorkoutCo (as applicable).

(b) *Terms of the Property Loan Intercreditor Agreements*

By virtue of various intercreditor agreements (the "**Property Loan Intercreditor Agreements**"), the interests of the junior lenders under the Senior Property Loans are postponed and subordinated to those of the Borrower or the relevant WorkoutCo (as applicable) and, conversely, the Borrower's interest or the relevant WorkoutCo's interest (as applicable) in the Junior Property Loans is subordinated to the interests of the relevant senior finance parties. Under the Senior Intercreditor Agreements relating to the Pimlico Property Loan and the Heathrow/V&A Property Loan the interests of the stretch senior lenders under those Property Loans are subordinated to the interests of the senior lenders.

The majority senior lenders under each Property Loan may direct enforcement action (other than: (i) under the Property Loan Intercreditor Agreement in respect of the Craighurst Property Loan where action is taken on the instructions of the majority lenders as a whole; (ii) under the Property Loan Intercreditor Agreement in respect of the Prestbury Property Loan where action is taken on the instructions of the majority senior lenders (if any senior loans are outstanding) including the hedge counterparties as lenders and actual or notional principal hedging debt as loans for this purpose (iii) under the Toys "R" Us Property Loan where action is taken by the loan administrator in accordance with a loan administration standard; and (iv) under the Caspar Property Loan where action is taken by the issuer trustee). The Senior Intercreditor Agreement in respect of each of the Pimlico Property Loan and the Heathrow/V&A Property Loan provide that (subject to the below) the stretch senior lenders have no vote for the purposes of enforcement whilst senior debt is outstanding. The ability of the majority senior lenders to take enforcement action under the Rivlin ABP Property Loan is restricted as they need the consent of the majority

senior lenders under the Rivlin Property Loan. Similarly, although the Primepanel Property Loan has not been syndicated, the enforcement rights of the Borrower under the Primepanel Property Loan are subject to certain restrictions (depending on the type of action which the Borrower wishes to take) pursuant to the terms of an intercreditor agreement entered into with another lender to the relevant Asset Level Obligors. The Property Loan Intercreditor Agreements or Senior Intercreditor Agreements (as applicable) for the Falcon Property Loan, the Barracuda Property Loan (subject to certain conditions), the Kingswood Property Loan, the Pimlico Property Loan, the Heathrow/V&A Property Loan, the Rivlin ABP Property Loan and the Rivlin Property Loan contain standstill periods which restrict the ability of the senior lenders to take enforcement action for a limited period while the junior lenders (and, in the case of the Pimlico Property Loan and the Heathrow/V&A Property Loan, the stretch senior lenders) are given the opportunity to cure the relevant breach or buy out the senior debt. Certain of the Property Loan Intercreditor Agreements also require the lenders (or for some Property Loans, the loan administrator of behalf of the senior lender) to consult with each other prior to taking enforcement action, including the Property Loan Intercreditor Agreement for the Pimlico Property Loan, the Rivlin Property Loan, the Rivlin ABP Property Loan, the PPH1 Property Loan, the Heathrow/V&A Property Loan (benefitting, for the latter, the stretch senior lenders under that Property Loan) and the Toys "R" Us Property Loan.

Other than the Urban Splash Property Loan, the Craighurst Property Loan, the Barracuda Property Loan, the Toys "R" Us Property Loan and the Caspar Property Loan, enforcement action may also be taken by the junior lenders (in most cases the majority junior lenders), or, in the case of the Pimlico Property Loan and the Heathrow/V&A Property Loan, the majority stretch senior lenders, under each of the Property Loan Intercreditor Agreements and/or Senior Intercreditor Agreements (as applicable), subject in each case to certain conditions, including the expiry of a standstill period following a default under the relevant Property Loan. Enforcement action may also be taken (subject to certain conditions) by the stretch senior lenders or the junior lenders under each of the Property Loan Intercreditor Agreements after (in some cases) the senior debt has been enforced or (in some cases) if the senior debt has been accelerated or (in some cases) if an event of default has occurred other than in respect of the Craighurst Property Loan, the Barracuda Property Loan (unless otherwise directed by the majority senior lenders) and the Toys "R" Us Property Loan. In respect of certain of the Property Loans, including the PPH1 Property Loan, the Kingswood Property Loan, the Pimlico Property Loan, the Caspar Property Loan and the Heathrow/V&A Property Loan (for the benefit of the stretch senior lenders only) the stretch senior lenders or the junior lenders may, in certain circumstances, require the security trustee to realise the assets and real property if the value of the assets is sufficient to repay the senior debt in full.

In addition, each of the Property Loan Intercreditor Agreements and the Senior Intercreditor Agreements, other than the Property Loan Intercreditor Agreement for the Urban Splash Property Loan, the Craighurst Property Loan and the Barracuda Property Loan contains a right of defeasance in favour of the stretch senior lenders and/or the junior lenders entitling them to purchase the relevant Senior Property Loan in certain circumstances which is restricted in time (in most instances) and subject to certain conditions. Each of the Property Loan Intercreditor Agreements and the Senior Intercreditor Agreements, other than the Property Loan Intercreditor Agreements for the Urban Splash Property Loan, the Prestbury Property Loan, the Craighurst Property Loan and the Barracuda Property Loan also contains a right for the stretch senior lenders and/or the junior lenders to cure defaults in certain circumstances and, in most instances, subject to certain limits.

Under the terms of the Property Loan Intercreditor Agreements relating to each of the Heathrow/V&A Property Loans, the Kingswood Property Loan and the Barchester Property Loan, if the relevant Property Loan is enforced (or a receiver is appointed in the case of the Kingswood Property Loan), the junior lenders (or the stretch senior lenders in the case of the Heathrow/V&A Property Loan) have pre-emption rights on the sale of the relevant Asset Level Properties.

Under the terms of the Property Loan Intercreditor Agreements and/or Senior Intercreditor Agreements relating to the Barchester Property Loan, the PPH1 Property Loan, the Pimlico Property Loan, the Rivlin ABP Property Loan, the Rivlin Property Loan and the Kingswood Property Loan, if a material default occurs (generally, insolvency of the relevant Asset Level

Borrower, payment default or breach of financial covenant) under the relevant Property Loan, payments otherwise due to the junior lenders and/or the stretch senior lenders will be paid into one or more escrow accounts. If enforcement action is taken during a certain specified period, the amounts standing to the credit of the relevant escrow account will be paid down the post default/enforcement waterfalls (see below). If the default is remedied or no enforcement action is taken by the senior lenders (or in some cases, the stretch senior lenders) during the relevant period, such amounts will be paid to the junior lenders or stretch senior lenders (as applicable).

On enforcement, the fees costs and expenses of the security agent, any creditor or receiver (or equivalent) will generally be paid at the top of the waterfall. In addition, following enforcement of the relevant Property Loan, in general, all amounts payable to the senior lenders will be paid in priority to amounts owing to the stretch senior lenders and the junior lenders and all amounts payable to the stretch senior lenders will be paid in priority to amounts owing to the junior lenders. In respect of the Heathrow/V&A Property Loan and the PPH1 Property Loan, the waterfall also switches following a material event of default (i.e. a payment default, a breach of financial covenant or an insolvency default). In respect of the Barracuda Property Loan and the Toys "R" Us Property Loan this waterfall applies whenever there are insufficient amounts to pay all amounts owing under the finance documents and, in the case of the Toys "R" Us Property Loan, if the relevant Asset Level Borrower becomes (or may become) insolvent.

Pursuant to the terms of each Property Loan Intercreditor Agreement, decisions under each of the Property Loans (other than the Falcon Property Loan, the Heathrow/V&A Property Loan, the PPH1 Property Loan, the Toys "R" Us Property Loan and the Caspar Property Loan) are taken by the majority senior lenders (meaning 66 2/3 per cent. of the senior lenders (in general, excluding the stretch senior lenders)) subject to certain entrenched rights retained by the senior stretch lenders and/or junior lenders. The Property Loan Intercreditor Agreement in respect of the Falcon Property Loan provides that decisions are made (subject, once more to certain entrenched rights in favour of the junior lenders) on the instructions of the majority lenders and only on the instructions of the majority senior lenders after the occurrence of an event of default. For the Heathrow/V&A Property Loan and the Pimlico Property Loan, the instructing group is made up of a majority of the senior lenders until such time as the senior debt is discharged and thereafter the majority stretch senior lenders. For the PPH1 Property Loan, the consent of the majority A lenders, the majority B lenders and the majority C lenders is required (See "*Property Loan Summaries*" for more information). In respect of the Toys "R" Us Property Loan and the Caspar Property Loan action is taken by the loan administrator and issuer trustee respectively (subject, once more, to certain entrenched rights reserved for the junior lenders). (See paragraph (a) "*The Borrower's interest in each of the Property Loans*" above for more information.)

Further information on the intercreditor arrangements for the PPH1 Property Loan, the Alpha Property Loans, the Barchester Property Loan, the Heathrow/V&A Property Loan, the Toys "R" Us Property Loan, the Prestbury Property Loan, the Urban Splash Property Loan and the Falcon Property Loan is included in the "*Property Loan Summaries*" section of this prospectus (see "*Property Loan Summaries*").

ORIGINATION/PARTICIPATION OF THE PROPERTY LOANS

The Origination Process

At the time of origination of the Property Loans, RBS and its subsidiary undertakings (together, the "**RBS Group**") provided commercial real estate lending financing to a variety of its customers. Participants within the commercial property sector are diverse, ranging from multi-national investment groups, pension and investment funds, through to small-scale private investors. The finance provided was generally made available through loan facilities, predominantly secured directly or indirectly upon commercial real estate, including offices, retail, industrial, leisure and mixed use properties.

In connection with the origination of or participating in loans the RBS Group carried out certain due diligence procedures such as would have been customarily undertaken by a prudent lender making loans secured on commercial properties of the type comprising the Asset Level Properties at that time so as to evaluate the borrower's ability to service its obligations under the loan and so to analyse the quality of the property. In order to do this, a number of factors were considered in the decision to advance a loan, principal amongst which are (i) the financial standing, quality and experience of the borrower or sponsor, (ii) the quality of the property and (iii) the income that the property generates and is, accordingly, relied upon to service the loan.

Overlaying these considerations when required, the RBS Group would obtain external advice from a number of sources. This generally included legal advice to ensure that the terms and basis upon which the RBS Group would lend, and the terms of the security for that lending, would in each case be enforceable in the event of default by the borrower and property specific advice in relation to the value, condition and demise of the property.

Security

At the time of origination of the Property Loans, the RBS Group would generally insist that a loan it provided be secured by both the property being acquired or financed and the rental income that flows from the underlying lease arrangements. The actual security taken by the RBS Group usually took the form of, amongst other items:

- (a) (depending upon the appropriate jurisdiction), a first ranking charge over the property, often included within a debenture given by the borrower and, if applicable, the relevant property owning entities, together with security over sale, compulsory purchase and insurance proceeds;
- (b) a charge over the bank account(s) into which the rental payments and any sale proceeds (if disposal is to be permitted) are to be received;
- (c) (in some instances) a security interest granted by the shareholders over their respective shareholding in the borrower, or other security and guarantees from appropriate third parties; and
- (d) (depending upon the circumstances of the transaction) the formal subordination of the position of any other finance provider, especially when this involves common security.

Property Appraisal

In order to minimise risk in property transactions, at the time of origination of the Property Loans, the RBS Group would undertake an appraisal of the property/properties forming collateral for the loan using both its internal resources and expertise and also by seeking an independent valuation and commentary from a recognised and suitably qualified professional external entity. This appraisal would vary from loan to loan taking into account the number and type of properties forming collateral, their value, their location and general demise, the number and quality of tenants amongst other factors. The appraisals may have included site inspections by employees of the RBS Group and professionals appointed on behalf of the RBS Group including valuers and environmental specialists. Any valuer appointed would also consider the relevant certificate or report on title relating to the property in reaching its conclusion as to value. Depending upon the property in question, it was also sometimes considered appropriate to commission environmental or structural reviews and environmental and technical due diligence reports to highlight any particular issues and provide suggested remedies. The proposed remedies were then typically added to the relevant facility agreement or listed as a condition with which the borrower had to comply.

The appraisal process at the time of origination also considered the demand/supply balance of the locality in which the particular property was situated and the market rent that was sustainable in the relevant area or areas.

The appraisal process may also have looked at the property management arrangements in order to ascertain whether the property was (or, as the case may be, would be) managed in a way that would be likely to be value accretive. In connection with this, the RBS Group may have considered the past performance of the relevant property manager, the proposed terms of the property management agreement and the proposed rent collection process. Typically, at the time of origination, the RBS Group would have expected each individual property manager to enter into a duty of care agreement with the finance parties to enable the finance parties to replace the relevant property manager if that property manager failed to comply with the terms of the relevant property management agreement.

Where a loan was provided for the purpose of development financing, the appraisal process considered additional factors taking into account the fact that the buildings had not been constructed at that time. Typically, in addition to the appraisal of the location of the property and demand/supply balance of the locality, the appraisal process may have considered the proposed procurement method, the covenant of the proposed contractor(s), the development budget (and how cost-overruns will be managed and funded), the collateral warranties to be provided and the anticipated date of practical completion. In conducting this appraisal, independent expert advice would be sought from, amongst others, a project monitor who will also typically oversee certain aspects of the development following the advance of the relevant loan.

PROPERTY LOAN SUMMARIES

Unless otherwise specified in this section:

- (i) the loan amounts, loan shares, margins, maturity and repayment types specified in this section are as at the Cut Off Date unless otherwise specified;
- (ii) the loan amounts, loan shares and margins specified in this section do not (unless otherwise specified) reflect any repayments, prepayments, reductions, amendments, waivers or changes of any nature which have occurred since the Cut Off Date;
- (iii) the information contained in this section regarding total gross rent, total net rent, total net operating income, total net lettable area ("NLA"), occupancy and the tenancy descriptions are based upon the most recent available information prior to the Cut Off Date and, in the case of the information relating to total gross rent and total net rent, are rounded to the nearest pound (£);
- (iv) the financial covenants and actual ratios specified in this section are as at the most recent test date relating to the relevant Property Loan prior to the Cut Off Date;
- (v) all loan amounts (in the case of total amounts, using the individual loan amounts prior to rounding), loan shares and financial covenant ratios have been rounded to the nearest decimal point;
- (vi) unless otherwise specified in this section, loan amounts representing capitalised interest are not specified in or included in the amounts specified in this section;
- (vii) "INA" means "information not available";
- (viii) amounts within the "Collateral" and "Tenancy Description" sections in "Detailed Summaries of Material Loans" have been rounded to the nearest whole number;
- (ix) the sections of this prospectus entitled "Loan Performance and Status" provide information solely in respect of (i) whether or not a Property Loan is not defaulted (where "not defaulted" means for this purpose, that no event of default (howsoever described) is continuing under the relevant Property Loan), and (ii) whether there have been any changes to the principal amount outstanding of the relevant Property Loan since the Cut Off Date, as at 2 July 2012; and
- (x) the descriptions of the terms of the Property Loans contained in this section are (other than as specified above) based upon the information available in respect of the relevant Property Loan as at 7 February 2012 (other than in the case of the Multi-Southgate Property Loan which is based upon information available as at 12 June 2012 and the Mapeley Property Loan which is based upon information available as at 27 April 2012); and
- (xi) the sections of this prospectus entitled "Contractual Rent Waterfall" describe the provisions of the relevant Asset Level Finance Documents addressing the application of rental income against financing costs. Such sections are not intended to provide any representations as to whether or not (and do not imply that) the relevant Asset Level Obligors are complying with their payment obligations under the Asset Level Finance Documents.

Property Loan Summary Table

Loan No.	Connection ID. ⁹	Loan Name	Property Type	Tranche	Obligor %	Obligor balance (£m)	Total balance (£m)	Maturity Date
1	1	PPH1 Property Loan	84 car showrooms	Senior (Tranche A)	100.0%	101.6	101.6	30 Jun-13
				Stretch Senior (Tranche B)	13.4%	10.2	76.4	20 Oct-15
				Tranche B Capitalised Interest	0.0%	0.0	6.4	20 Oct-15
				Tranche C Hedging Capitalised Amount	0.0%	0.0	5.0	20 Oct-15

⁹ Connected Loans are indicated by the same number.

Property Loan Summary Table

Loan No.	Connection ID.⁹	Loan Name	Property Type	Tranche	Obligor %	Obligor balance (£m)	Total balance (£m)	Maturity Date
2 and 3 ¹⁰	2	Alpha Property Loans	127 commercial properties	Senior	0.0%	0	304.8	9 Nov-18
				Stretch Senior	20.7%	25.9	125.0	9 Nov-18
				Mezzanine	100%	138.8	138.8	9 Nov-18
4	3	Blue Property Loan	1 mixed use property	Senior term loan	100.0%	58.3	58.3	26 Mar-37
5	4	Barchester Property Loan	160 care homes	Tranche A1	0.0%	0	537.9	30 Sep-13
				Tranche A2	33.9%	26.9	79.6	30 Sep-13
				Tranche B	19.3%	36.7	190.5	30 Sep-13
				Tranche C	51.0%	60.2	118.0	30 Sep-13
6	5	Warner Property Loan	24 mixed- use properties	Term loan	100.0%	100.4	100.4	31 Dec-12
				RCF	100.0%	1.7	1.7	31 Dec-12
7	6	Heathrow/V&A Property Loan	2 hotels	Senior	51.6%	58.6	113.4	7 Jan-15
				Stretch Senior	100.0%	21.8	21.8	7 Jan-15
				Mezzanine	100.0%	4.4	4.4	7 Jan-15
8	7	Toys "R" Us Property Loan	30 retail warehouses and one distribution centre	Tranche A	0.0%	0	348.2	7 Apr-13
				Tranche B	100.0%	60.7	60.7	7 Apr-13
9	8	DFS Property Loan	22 retail warehouses and 5 office and industrial buildings	Senior	31.4%	59.3	188.7	12 Apr-12
10	9	Prestbury Property Loan	211 public houses	Tranche A	20.8%	56.7	272.8	29 Oct-13
				Tranche B	0%	0	INA	29 Oct-13
				Tranche C	0%	0	INA	29 Oct-13
11 and 12 ¹¹	10	London & Westcountry Property Loans	25 industrial and trade park properties	Loan A	100.00%	55.0	55.0	31 Jul-11
				Loan B	100.00%	1.9	1.9	31 May-10
13 ¹²	11	Marlow Property Loan	1 office building	Senior	100.00%	53.9	53.9	9 Feb-12
14	12	Multi-Southgate Property Loan	1 shopping centre	Development loan	50.0%	43.9	87.7	31 Dec-11
				Land loan	50.0%	11.3	22.5	31 Dec-11 (each amended to 17 Oct-13 following the Cut Off Date)
15	13	Urban Splash Property Loan	35 mixed-use properties	Term loan	40.0%	45.9	114.8	30 Jul-13
16	14	Mapeley Property Loan	27 office and Industrial properties	Senior	25.3%	36.1	142.5	20 Apr-15
17	15	Falcon Property	18 car auction	Tranche A	13.9%	22.9	164.7	25 Oct-13

¹⁰ This represents two Property Loans (which are in turn divided into a senior, a mezzanine and a senior stretch tranche).

¹¹ This represents two Property Loans.

¹² The Marlow Asset was sold on 27 July 2012, resulting in a prepayment of the Marlow Property Loan and a resultant partial prepayment of the Senior Loan.

Property Loan Summary Table

Loan No.	Connection ID.⁹	Loan Name	Property Type	Tranche	Obligor %	Obligor balance (£m)	Total balance (£m)	Maturity Date
		Loan	sites	Tranche B	20.0%	10.4	52.0	25 Oct-13
18	16	Bravo Property Loan	11 secondary and tertiary office properties	Senior	100.0%	26.5	26.5	1 May-12
19 and 20 ¹³	17	Structadene Property Loans	18 mixed use properties	Term 1 Term 2	100.0% 100.0%	26.2 4.8	26.2 4.8	31 Jul-15 31 Jan-12
21	18	Primepanel Property Loan	15 commercial properties	Term loan	100.0%	26.2	26.2	7 Apr-17
22	19	Beaucette Property Loan	1 tertiary/secondary industrial estate	Term loan	100.0%	5.7	5.7	26 Mar-10
23	20	Pimlico Property Loan	1 prime supermarket	Senior Stretch Senior Mezzanine	0.0% 100.0% 100.0%	0 7.3 13.2	32.4 7.3 13.2	20 Jul-16 20 Jul-16 20 Jul-16
24	21	Barracuda Property Loan	71 public houses	Term loan	18.7%	18.6	99.2	28 Jul-13
25	22	Kingswood Property Loan	1 office building	Senior Mezzanine	0.0% 100.0%	0 16.7	50.0 16.7	20 Jan-16 20 Jan-16
26	23	Craighurst Property Loan	1 office building	Tranche A Tranche B	20.1% 20.1%	14.4 2.0	71.6 10.0	15 Jun-22 15 Jun-22
27	24	Charlie Property Loan	1 hotel	Tranche A Tranche B	100.0% 100.0%	11.3 2.3	11.3 2.3	23 Jan-19 23 Jan-19
28	25	Rivlin ABP Property Loan	4 mixed use properties	Senior Stretch Senior	0.0% 100.0%	0 9.7	44.2 9.7	20 Oct-16 20 Oct-16
29	26	Delta Property Loan	1 hotel	Senior Junior	100.0% 100.0%	9.4 1.5	9.4 1.5	6 Oct-21 6 Oct-21
30	27	Caspar Property Loan	26 mixed secondary properties	Senior Mezzanine	0.0% 51.3%	0 2.7	208.6 5.3	29 Oct-12 29 Oct-12
31	28	Echo Property Loan	1 hotel	Term loan	100.0%	5.9	5.9	16 May-27
32	29	Rivlin Property Loan	5 mixed use properties	Senior Stretch Senior	0.0% 100.0%	0 5.5	20.9 5.5	20 Oct-16 20 Oct-16
33	30	Trustees of the Sugar Mill Property Loan	2 industrial estates	Term loan	100.0%	0.5	0.5	21 Jul-17
34	3	Red Property Loan	1 mixed use property	Senior term loan	100.0%	7.5	7.5	12 Jul-24
35	3	Green Property	1 mixed use	Senior term loan	100.0%	4.2	4.2	30 Jan-19

¹³ This represents two Property Loans.

Property Loan Summary Table

Loan No.	Connection ID.⁹	Loan Name	Property Type	Tranche	Obligor %	Obligor balance (£m)	Total balance (£m)	Maturity Date
		Loan	property					
36	3	Yellow Property Loan	1 mixed use property	Senior term loan	100.0%	7.6	7.6	2 Jul-19
37	3	Orange Property Loan	9 mixed use properties	Senior term loan	100.0%	25.4	25.4	28 Jun-20

**SUMMARY OF MATERIAL CHANGES TO THE PRINCIPAL BALANCE OF THE
PROPERTY LOANS SINCE THE CUT OFF DATE**

The table below sets out details of all material repayments and drawdowns under the Property Loans that occurred between the Cut Off Date and 2 July 2012.

Loan No.	Asset ¹⁴	Isobel Loan Balance @ Cut Off Date (£)	Repayment (£)	Drawdown (£)	Interest capitalised (£)	Isobel Loan Balance @ 2 July 2012 (£)	Reason
1	PPH1 Property Loan	111,779,774	(6,362,311)	-	-	105,417,463	Property disposals and contractual amortisation
2 and 3 ¹⁵	Alpha Property Loans	164,755,179	-	-	2,625,369	167,380,548	Interest capitalisation
4	Blue Property Loan	58,264,070	(193,681)	-	-	58,070,389	Contractual amortisation
5	Barchester Property Loan...	123,804,301	(1,047,421)	-	-	122,756,881	Contractual amortisation
6	Warner Property Loan.....	102,002,949	(7,956,749)	-	-	94,046,200	Property disposals and contractual amortisation
7	Heathrow/V&A Property Loan.....	84,784,892	(7,676)	-	-	84,777,216	Contractual amortisation
8	Toys "R" Us Property Loan.....	60,652,892	(318,388)	-	-	60,334,504	Contractual amortisation
9	DFS Property Loan	59,302,733	(180,750)	-	-	59,121,983	Contractual amortisation
10	Prestbury Property Loan	56,669,257	(1,534,369)	-	-	55,134,889	Contractual amortisation
11 and 12 ¹⁶	London & Westcountry Property Loans.....	56,850,000	(1,717,782)	-	264,963	55,397,181	Property disposals and interest capitalisation
13 ¹⁷	Marlow Property Loan	53,926,513	(62,500)	-	-	53,864,013	Contractual amortisation
14	Multi-Southgate Property Loan.....	55,100,000	-	-	-	55,100,000	Not applicable
15	Urban Splash Property Loan.....	45,938,356	(482,400)	-	-	45,455,956	Property disposals ¹⁸
16	Mapeley Property Loan.....	36,105,971	(1,386,945)	-	-	34,719,026	Voluntary prepayments and property disposals
17	Structadene Property Loans	31,007,987	(3,972,777)	-	-	27,035,210	Property disposals and contractual amortisation
18	Falcon Property Loan.....	33,342,574	(573,434)	-	-	32,769,141	Contractual amortisation
19 and 20 ¹⁹	Primepanel Property Loan.....	26,244,900	(5,111,947)	-	-	21,132,953	Mandatory prepayments and property disposals
21 ²⁰	Bravo Property Loan.....	26,497,602	(19,032,439)	-	-	7,465,163	Property disposals

¹⁴ Calculated on an aggregated basis in respect of Connected Loans (other than the Colour Property Loans). Each of the Alpha Property Loans, the London and Westcountry Property Loans and the Structadene Property Loan represents two Property Loans.

¹⁵ This represents two Property Loans (which are in turn divided into a mezzanine and a senior stretch tranche).

¹⁶ This represents two Property Loans.

¹⁷ The Marlow Asset was sold on 27 July 2012, resulting in a prepayment of the Marlow Property Loan and a resultant partial prepayment of £38.71m of the Senior Loan. Following such prepayment no further amounts are expected to be recovered by the Borrower in respect of the Marlow Property Loan.

¹⁸ The reduction in principal results from the sale of ground rents.

¹⁹ This represents two Property Loans.

²⁰ £0.8m was received as a result of property disposals prior to the Cut Off Date. Whilst reflected in the Isobel Loan Balance at the Cut Off Date, this was subsequently applied to reduce the relevant ADA Release Price.

Loan No.	Asset ¹⁴	Isobel Loan Balance @ Cut Off Date (£)	Repayment (£)	Drawdown (£)	Interest capitalised (£)	Isobel Loan Balance @ 2 July 2012 (£)	Reason
22 ²¹	Beaucette Property Loan.....	5,654,426	-	-	-	5,654,426	Not applicable
23	Pimlico Property Loan.....	20,476,890	-	401,474	-	20,878,364	Drawdown on the mezzanine tranche
24	Barracuda Property Loan ...	18,606,058	-	-	-	18,606,058	Not applicable
25	Kingswood Property Loan.....	16,714,952	-	-	-	16,714,952	Not applicable
26	Craighurst Property Loan....	16,371,696	(40,809)	-	-	16,330,887	Contractual amortisation
27	Charlie Property Loan.....	13,557,377	(75,324)	-	-	13,482,053	Contractual amortisation
28	Rivlin ABP Property Loan.....	9,728,004	(1,787,423)	-	-	7,940,582	Property disposals
29	Delta Property Loan.....	10,820,391	(42,274)	-	-	10,778,117	Contractual amortisation
30	Caspar Property Loan.....	2,722,911	(1,936,766)	-	-	786,144	Property disposals
31	Echo Property Loan.....	5,873,448	(28,167)	-	-	5,845,281	Contractual amortisation
32	Rivlin Property Loan.....	5,497,822	-	-	-	5,497,822	Not applicable
33	Trustees of the Sugar Mill Property Loan.....	526,528	(64,000)	-	1,781	464,309	Contractual amortisation
34	Red Property Loan.....	7,489,545	(118,325)	-	-	7,371,220	Contractual amortisation
35	Green Property Loan.....	4,227,038	(51,882)	-	-	4,175,156	Contractual amortisation
36	Yellow Property Loan.....	7,611,428	(135,149)	-	-	7,476,279	Contractual amortisation
37	Orange Property Loan.....	25,364,531	(512,304)	-	-	24,852,227	Contractual amortisation
Total		1,358,272,998	(54,733,989)	401,474	2,892,113	1,306,832,596²²	

Detailed Summaries of Material Loans

This section sets out detailed summaries of each of the Property Loans in the Property Loan Portfolio that are considered to be the most material for purposes of the transaction.

²¹ £5.2m was received as a result of property disposals prior to the Cut Off Date. Whilst reflected in the Isobel Loan Balance at the Cut Off Date, this was subsequently applied to reduce the relevant ADA Release Price.

²² As at 21 September 2012, the Borrower estimated that on the Loan Payment Date falling in October 2012 approximately £22m will be (i) allocated to the Realisation Proceeds Account and (ii) applied in accordance with the relevant priority of payments relating to the Realisation Proceeds Account as set out in "Security Trust and Intercreeitor Deed – Borrower and WorkoutCo Control Accounts". This amount is an estimate only and is subject to calculation and agreement with the Senior Agent.

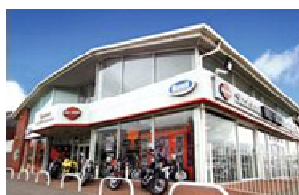
Loan 1 / Connection ID 1 – PPH1: £111.8 million loan secured against 84 car showrooms (the "PPH1 Property Loan")

Mortgage Loan Information

Original Lender: NatWest
 Asset Level Borrower: PPH1 Limited
 Facility Agent: RBS
 Security Agent/Trustee: Not applicable
 Loan purpose: Refinancing
 Payment dates: 1 April, July, October, January in each year

Debt metrics

£M Balance Date	Origination Dec-06	Cut-off Date Dec-11
Limit	332.3	189.3
Utilisation	325.4	189.3
Number of tranches	3	4
Valuation	387.4	



Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Interest Rate Swaps				
Senior	4.76	106.1	1 Oct-15	Quarterly
Stretch	4.76	76.0	1 Oct-15	Quarterly
LPI Swaps				
Senior	2.25	12.3	29 Sep-31	Quarterly



Whole Loan Capital Stack as at 31/12/2011, LTV covenants as at 31/03/2011 and ICR covenants as at 20/04/2011²³

Tranche	Total Drawn Amount (£ms)	Isobel Share (£ms)	LTV	LTV covenant	ICR	ICR covenant	Margin	Maturity	Repayment type
Senior (Tranche A) ... Stretch Senior (Tranche B)	101.6	101.6	61.4%	68.1%	197.0%	140%	2.75%	30 Jun-13	Full cash sweep
Tranche B	76.4	10.2	89.9%	99.8%	124.0%	110.0%	1.58%	20 Oct-15	Bullet
Capitalised Interest	6.4	0.0	N/A	N/A	N/A	N/A	N/A	20 Oct-15	Bullet

²³ This is the last test date for financial covenants prior to 31 December 2011.

Tranche	Total Drawn Amount (£ms)	Isobel Share (£ms)	LTV	LTV covenant	ICR	ICR covenant	Margin	Maturity	Repayment type
Tranche C Hedging Capitalised Amount	5.0	0.0	N/A	N/A	N/A	N/A	N/A	20 Oct-15	Bullet
Total	189.3	111.8							

Cash Management & Deal Specifics

Contractual Rent Waterfall: All net rental income is paid into a charged account which is applied in the following order unless the amounts received are insufficient to discharge all amounts owed under the finance documents in which case such amounts shall be applied in accordance with the partial payment provisions (as described below):

(1) payment pro rata of any unpaid fees, costs and expenses of the administrative parties under the finance documents; (2) payment pro rata of (i) any accrued interest on the hedging loans, (ii) the principal amounts of the hedging loans; (3) payment pro rata of (i) any periodical payments (not being payments as a result of termination or closing out) due but unpaid to the counterparties under the Senior (Tranche A) hedging arrangements, (ii) any payments (not those referred to in (10)) as a result of termination or closing out due but unpaid to the counterparties under the Senior (Tranche A) hedging arrangements; (4) payment of any accrued interest due but unpaid in respect of the Senior (Tranche A) loan; (5) payment of any principal amount due but unpaid under the facility agreement in respect of the Senior (Tranche A) loan; (6) payment pro rata of (i) any periodical payments (not being payments as a result of termination or closing out) due but unpaid to the counterparties under the tranche C hedging arrangements and the tranche D hedging arrangements, (ii) any payments (not those referred to in (10)) as a result of termination or closing out due but unpaid to the counterparties under the tranche C hedging arrangements and the D hedging arrangements, (iii) any amount of the tranche C hedging capitalised amount due but unpaid under the facility agreement; (7) payment pro rata of any accrued interest due but unpaid in respect of the Stretch Senior (Tranche B) Loan; (8) payment pro rata of any principal amount due but unpaid under the facility agreement in respect of the Stretch Senior (Tranche B) loan; (9) payment pro rata of the Stretch Senior (Tranche B) capitalised interest due but unpaid after the facility agreement; (10) payment pro rata of any payments due as a result of termination or closing out arising from either a rating event termination event affecting one or more counterparties, or an event of default relating to one or more counterparties, due but unpaid under the hedging arrangements to the relevant counterparties in respect of which the relevant events described has occurred; (11) in or towards payment to the General Account for the purpose of payment of (i) taxes payable by the Asset Level Borrower during the interest period (subject to certain exclusions); (ii) amounts payable under any headleases during the interest period; and (iii) amounts payable to the property manager, up to a maximum of £25,000 on any interest payment date; (12) payment of any surplus in or towards prepayment of the tranche A loan; (13) in or towards payment of any other sum due but unpaid under the finance documents; and (14) payment of any surplus into the General Account.

Under the intercreditor deed entered into with respect to the PPH1 Property Loan, all proceeds of enforcement of security will be applied in the following order:

- (a) firstly, costs and expenses of the facility agent or any receiver under any security agreement;
- (b) secondly, in accordance with the "partial payments" provision in the facility agreement (other than in respect of senior liabilities in excess of specified limits);
- (c) thirdly, towards payment of excess senior liabilities referred to above; and
- (d) fourthly, surplus to the relevant obligor or other person entitled.

The partial payment provisions referred to in paragraph (b) above are the same as the rent account waterfall provisions described above, except that after the payments described in sub-paragraph (10) above, surplus amounts will be applied as follows: (11) payment pro rata of any other sum (other than unpaid back end fee) due but unpaid under the finance documents; and (12) payment of any back end fee due but unpaid.

Prior Ranking Swaps: See "*Contractual Rent Waterfall*" above.

Intercreditor arrangements: Three additional lenders participate in Stretch Senior (Tranche B). The majority Stretch Senior (Tranche B) lenders are able to enforce the loan only if the Senior (Tranche A) lenders have accelerated the debt owing to them or if an event of default is continuing, after certain standstill periods, and the market value of assets is greater than 120 per cent. of total senior and swap liabilities. Unanimous consent of all lenders required to make material modifications.

Other material clauses: Right to substitute properties subject to satisfying certain criteria. All cash from property sales will be used to amortise the Senior (Tranche A) debt up to the allocated amount (plus prepayment expenses and plus an additional £100,000,000) and will thereafter be applied in payment of a capitalised amount to the tranche C lender (i.e. unpaid hedge amortisation) and thereafter amortising the Stretch Senior (Tranche B) loan (up to the allocated amount (plus prepayment expenses)).

Asset Level Borrower and Sponsor

The Asset Level Borrower is a single purpose vehicle incorporated in England and Wales which was established as a joint venture vehicle and is 51 per cent. owned by Pendragon plc (the "**Sponsor**") and 49 per cent. controlled by an individual. The Sponsor is a quoted motor dealership operator which operates through several brand names, including Stratstone and Evans Halshaw throughout the UK. The tenant of the properties is a subsidiary of the Sponsor.

Collateral

Brief description: The Asset Level Borrower originally acquired 118 car showrooms and the Pendragon head office. Following asset sales, as at the Cut Off Date, 84 remained. All of the properties are let to a subsidiary of the Sponsor on FRI leases for a term of either 20 or 25 years. The leases are subject to capped RPI increases. The Sponsor provides a rent guarantee.

Location: 15 per cent. in London and the South East with the remainder throughout the UK.

Tenure: Mixed freehold and leasehold.

Use: Car dealerships and one head office.

Total Gross Rent: £17,117,853.

Total Net Rent: £16,941,603.

Occupancy: 100.0 per cent.

Security Package: Typical package including: (1) charge by way of first ranking legal mortgage over each property; (2) fixed charge over shares, plant and machinery, book debts and bank accounts, goodwill etc; (3) assignment of insurance policies, hedging arrangements, lease and property management agreements and certain other specified contracts; and (4) a floating charge. In addition, there is a guarantee from the Sponsor in respect of the obligations of the property manager under the property management agreement and in respect of certain potential environmental claims.

Tenancy Description (of Major Tenants)

<u>Major tenants</u>	<u>Use</u>	<u>Rent (£/annum)</u>	<u>% of rent</u>	<u>NLA (SQFT)</u>	<u>Lease type</u>	<u>Lease Expiry</u>
PPH1	Car dealership	£16,941,603	100.0%	1,723,245	FRI	Jul 2025 and Dec 2031

Loan Performance and Status

The loan is not defaulted. There was an LTV default in 2008 which resulted in a restructuring of the Asset Level Borrower's liabilities. Following such restructuring the 2008 LTV default was no longer continuing.

As at 2 July 2012 the total amount outstanding under Tranche A was £95.2m (of which the Isobel share was £95.2m) and the total amount outstanding under Tranche B was £76.4m (of which the Isobel share was £10.2m). The reduction in amounts outstanding has arisen as a result of property disposal and contractual amortisation.

Loan 2 and 3 / Connection ID 2 – Alpha: £164.8 million loan secured against 127 commercial properties (the "Alpha Property Loans")

Mortgage Loan Information

Original Lender:	RBS
Asset Level Borrower:	Two English limited liability companies
Facility Agent:	RBS
Security Agent/Trustee:	RBS
Loan purpose:	Property acquisition
Payment dates:	7 January, April, July and October in each year

Debt metrics

£M	Origination	Cut-off Date
Balance Date	Sep-03 to	Dec-11
	Feb-05	
Limit	643.9	568.6
Utilisation	INA	568.6
Number of tranches	3	3 ²⁴
Valuation	608.0	

Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Interest Rate Swaps				
Senior	4.78	58.7	7 Jul-27	Quarterly
Senior	5.80	246.1	7 Jul-27	Quarterly
Stretch Senior.....	5.21	21.3	7 Jul-27	Quarterly
Stretch Senior.....	5.44	14.2	7 Jul-27	Quarterly
Stretch Senior.....	6.24	89.4	7 Jul-27	Quarterly
Junior.....	5.21	26.7	7 Jul-27	Quarterly
Junior.....	6.24	112.2	7 Jul-27	Quarterly
LPI Swaps				
Senior	2.48	15.4	3 Apr-27	Quarterly
Senior	2.48	6.6	3 Apr-27	Quarterly

Whole Loan Capital Stack as at 31/12/2011 and Covenants as at 07/07/2011²⁵

Tranche	Total Drawn Amount (£ms)	Isobel Share (£ms)	LTV	LTV covenant	ICR	ICR covenant	Margin	Maturity	Repayment type
Senior	304.8	0	46.4%	70.0%	227.0%	188.0%	0.85%	9 Nov-18	Amortisation
Stretch Senior	125.0	25.9	65.5%	90.0%	153.0%	133.0%	1.65%	9 Nov-18	Bullet
Mezzanine	138.8	138.8	86.4%	110.0%	106.0%	100.0%	3.2821%	9 Nov-18	Bullet
Total	568.6	164.8							

Cash Management & Deal Specifics

Contractual Rent Waterfall: Pre event of default in the following order: (1) to senior lenders of both Asset Level Borrowers and senior hedging counterparty (pro rata); (2) to the stretch senior lender of both Asset Level Borrowers and stretch senior hedging counterparty (pro rata); (3) to the mezzanine lenders of both Asset Level Borrowers and mezzanine hedging counterparty (pro rata).

²⁴ There are three tranches per Asset Level Borrower.

²⁵ This is the last test date for financial covenants prior to 31 December 2011.

Post enforcement: Enforcement costs and amounts owing to the security trustee are paid first. Otherwise the senior liabilities of both Asset Level Borrowers (pro rata), stretch senior liabilities of both Asset Level Borrowers (pro rata) and mezzanine liabilities of both Asset Level Borrowers (pro rata) are paid in the same order as the pre enforcement waterfall with other subordinated payments at the bottom of the waterfall.

Prior Ranking Swaps: See "*Contractual Rent Waterfall*" above.

Intercreditor arrangements

If a stretch loan-to-value ratio exceeds 80 per cent., an event of default has occurred and the majority senior lenders have not required the security trustee to take enforcement action within three months of its occurrence, the majority stretch senior lenders may call a default and require the security trustee to take enforcement action and such enforcement action shall be deemed to have been consented to by the other beneficiaries. However, the stretch senior lenders can only take steps to dispose of the assets if the proceeds will be sufficient (in the opinion of the senior lenders) to repay the senior loan in full.

Under a subordination deed, all amounts due to the parent company of one of the Asset Level Borrowers are subordinated to the senior debt. The Asset Level Borrowers can only make permitted distributions to the subordinated lender when there is no event of default or potential event of default and when, on the last interest payment date, all the senior, stretch senior and mezzanine liabilities were paid in full and all sums due under the relevant fee debenture were paid).

Other material clauses: Right to substitute properties with the consent of the agent and subject to satisfying certain criteria. Mezzanine margin is 3.2821 per cent. unless LTV falls below 80 per cent., in which case mezzanine margin will fall to 1.75 per cent. The loans are cross collateralised.

Asset Level Borrower and Sponsor

One of the Asset Level Borrowers is 100 per cent. owned by the other Asset Level Borrower and both are controlled by a consortium of investors. Both Asset Level Borrowers own commercial real estate assets and all of the Asset Level Borrowers assets are let to Alpha Opco which is owned by a fund.

Collateral

Brief description: A total of 127 commercial properties. The assets were constructed from 1960 onwards. All assets are operated by Alpha Opco on 35 year leases which commenced in June 2003.

Location: Primary locations in city and town centres throughout the UK.

Tenure: A mixture of freehold and leasehold.

Use: Commercial real estate.

Total Gross Rent: £51,744,300

Total Net Rent: £46,932,834

Occupancy: 100.0 per cent.

Security Package: Typical package including: (1) charge by way of first ranking legal mortgage over each property; (2) fixed charge over shares, plant and machinery, book debts and bank accounts, goodwill etc; (3) assignment of insurance policies, hedging arrangements, lease and property management agreements and certain other specified contracts; and (4) a floating charge. The facilities granted to each Asset Level Borrower under an Alpha Property Loan are fully cross-collateralised.

Tenancy Description (of Major Tenants)

<u>Major tenants</u>	<u>Use</u>	<u>Rent (£/annum)</u>	<u>% of rent</u>	<u>NLA (SQFT)</u>	<u>Lease type</u>	<u>Lease Expiry</u>
Alpha Opco.....	Commercial real estate	46.9m	100.0%	n/a	FRI, rent reviews	28/05/2037

Loan Performance and Status

As at 2 July 2012 the total amount outstanding under the Senior tranche was £304.8m (of which the Isobel share was £0), the total amount outstanding under the Stretch Senior tranche was £125.0m (of which the Isobel share was £25.9m) and the total amount outstanding under the Mezzanine tranche was £141.4m (of which the Isobel share was £141.4m). The increase in amounts outstanding was as a result of interest capitalisation.

Following a restructuring of the Alpha Opco, the Asset Level Borrowers have agreed to a reduction in annual rent. The DTZ Valuation in respect of the Alpha Property Loan does not reflect this reduction in rent. The current net rent is £41.9m.

Loan 4 / Connection ID 3 – Blue: £58.3m loan advanced under a loan agreement and secured against 1 mixed use property (the "Blue Property Loan")

Mortgage Loan Information

Original Lender: RBS
 Asset Level Borrower: An English limited liability company
 Facility Agent: Not applicable
 Security Agent/Trustee: Not applicable
 Loan purpose: Property acquisition
 Payment dates: 10 January, 10 April, 10 July and 10 October in each year

Debt metrics

£M Balance Date	Origination Mar-07	Cut-off Date Dec-11
Limit	63.0	58.3
Utilisation	63.0	58.3
Number of tranches	1	1
Valuation	N/A	

Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Interest Rate Swaps				
Senior	4.72	58.3	26 Mar-37	Quarterly

Whole Loan Capital Stack as at 31/12/2011

Loan	Total Drawn Amount (£ms)	Isobel Share (£ms)	LTV	LTV covenant	ICR	ICR covenant	Margin	Maturity	Repayment type
Term Loan...	58.3	58.3	INA	75.0%	INA	130.0%	0.90%	26 Mar-37	Amortisation
Total	58.3	58.3							

Cash Management & Deal Specifics

Contractual Rent Waterfall: Asset Level Borrower is required to procure all gross rental income is paid within 5 business days of receipt in cleared funds into a managing agent's account, or if instructed by the lender following an event of default which is continuing, into the Asset Level Borrower's rent account.

The managing agent is required to transfer net amounts credited into the managing agent's account into the Asset Level Borrower's rent account within 5 business days of receipt after deducting the fees of the managing agent approved by the lender, VAT, service charges, insurance rent and other deductions approved by the lender.

On each interest payment date an amount equal to the interest and principal then due is required to be withdrawn from the Asset Level Borrower's rent account and the lender is authorised to effect such withdrawals.

Prior Ranking Swaps: None.

Intercreditor arrangements: None. The loan has not been syndicated or tranching.

Other material clauses: The loan is cross collateralised and cross defaulted with the Red Property Loan, the Green Property Loan, the Yellow Property Loan and the Orange Property Loan.

Asset Level Borrower and Sponsor

The Asset Level Borrower is a company incorporated in England and Wales and is owned (directly or indirectly) by an experienced private individual real estate investor who focuses on secondary retail locations.

Collateral

Brief description: A shopping centre with 48 tenants.

Location: Cumbria, UK.

Tenure: Held on four leaseholds expiring 2206.

Use: Shopping centre.

Total Gross Rent: £3,494,618

Total Net Rent: INA

Occupancy: 93.2 per cent.

Security Package: Typical package including: (1) charge by way of first ranking legal mortgage over each property; (2) fixed charge over shares, plant and machinery, book debts and bank accounts, goodwill etc; and (3) assignment of insurance policies, hedging arrangements, lease and property management agreement and certain other specified contracts; and (4) a floating charge. There is an unlimited guarantee from a limited company and a guarantee from the sponsor in the sum of £3,000,000.

Weighted Average Remaining Lease Term

Tenancy Description (of Major Tenants)

<u>Major tenants</u>	<u>Use</u>	<u>Gross Rent (£/annum)</u>	<u>% of rent</u>	<u>NLA (SQFT)</u>	<u>Lease type</u>	<u>Lease Expiry</u>
1. Tenant A	Department Store	487,500	14.0%	74,564	INA	02/08/31
2. Tenant B	Car park Sports	216,000	6.2%	136,017	INA	28/09/41
3. Tenant C	Equipment	160,000	4.6%	16,900	INA	28/09/20
4. Tenant D	Clothing	156,778	4.5%	16,300	INA	28/09/20
5. Tenant E	Department Store	145,000	4.2%	8,840	INA	28/09/21

Loan Performance and Status

The loan is in default due to an ICR breach. To date the borrower and sponsor have contributed to amortisation from equity sources.

As at 2 July 2012 the total amount outstanding was £58.1m (of which the Isobel share was £58.1m). The reduction in amounts outstanding has arisen as a result of contractual amortisation.

The interest payment due on the IPD on 26 September was not received.

Loan 5 / Connection ID 4 – Barchester: £123.8 million loan secured against 160 care homes (the "Barchester Property Loan")

Mortgage Loan Information

Original Lender: RBS
 Asset Level Borrower: Barchester Holdco Limited
 Facility Agent: RBS
 Security Agent/Trustee: RBS
 Loan purpose: Refinancing
 Payment dates: 30 December, March, June and September in each year

Debt metrics

£M Balance Date	Origination Oct-06	Cut-off Date Dec-11
Limit	970.0	925.9
Utilisation	970.0	925.9
Number of tranches	4	4
Valuation	1,135.0	



Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Interest Rate Swaps				
Tranche A1.....	4.95	537.9	28 Sep-29	Quarterly
Tranche A2.....	4.95	82.1	28 Sep-29	Quarterly
Tranche B.....	4.95	190.5	28 Sep-29	Quarterly
Tranche C.....	4.95	118.0	28 Sep-29	Quarterly
LPI Swaps				
Tranche A1.....	2.42	38.9	30 Jun-31	Quarterly
Tranche A2.....	2.42	27.1	30 Jun-31	Quarterly



Whole Loan Capital Stack as at 31/12/2011 and Covenants as at 30/12/2011²⁶

Tranche	Total drawn Amount (£ms)	Isobel Share (£ms)	LTV	LTV covenant	ICR	ICR covenant	Margin	DSCR	DSCR Covenant	Maturity	Repayment type
Tranche A1.....	537.9	0	45.0%	58.0%	248.0%	196.0%	INA	186.0%	173.0%	30 Sep-13	Amortisation and full cash sweep
Tranche A2.....	79.6	26.9	51.0%	65.5%	213.0%	170.0%	0.97%	161.0%	150.0%	30 Sep-13	
Tranche B.....	190.5	36.7	67.0%	82.5%	149.0%	121.0%	2.80%	119.0%	115.0%	30 Sep-13	Amortisation

²⁶ This is the last test date for financial covenants prior to December 2011.

Tranche	Total drawn Amount (£ms)	Isobel Share (£ms)	LTV	LTV covenant	ICR	ICR covenant	Margin	DSCR	DSCR Covenant	Maturity	Repayment type
Tranche C	118.0	60.2	77.0%	92.5%	121.0%	100.0%	4.30%	100.1%	100.0%	30 Sep-13	Amortisation
Total	925.9	123.8									

Cash Management & Deal Specifics

Contractual Rent Waterfall: All net rental income is paid into a charged account which is applied in the following order: (1) any rent or other sums due and payable under any head lease; (2) payment, *pari passu*, of any due and unpaid fees, costs and expenses of the Tranche A1 agent and the security trustee; (3) payment of any due and unpaid fees, costs and expenses of any other Tranche A1 party (other than any amount specified below); (4) repayment of any property protection loan outstanding (including any accrued interest); (5) payment, *pari passu*, of any amount due and payable to a Tranche A1 hedge counterparty or a senior ranking LPI hedge counterparty in respect of any Tranche A1 hedge transaction or senior ranking LPI hedge transaction (other than any subordinated hedge amount); (6) payment, *pari passu*, of: (a) interest accrued and payable on the Tranche A1 loan (other than an AEF Loan or a property protection loan); (b) if there has been a mandated securitisation, any ongoing facility fee and any borrower step-up fee due and payable; and (c) any other amount due but unpaid to a securitisation lender in respect of the Tranche A1 loan (excluding any amount specified below and any such interest or amount referable to excess debt); (7) payment of any principal due and payable on the Tranche A1 loan (other than an AEF Loan or a property protection loan and any Tranche A1 loan to which any paragraph below relates), excluding any excess debt; (8) payment or repayment of any amount in respect of the Tranche A1 loan to which all of the Tranche A2 lenders have been subrogated by reason of making a cure payment; (9) payment/repayment of any amount in respect of the Tranche A1 loan to which all of the Tranche B lenders have been subrogated by reason of making a cure payment; (10) payment/repayment of any amount in respect of the Tranche A1 loan to which all of the Tranche C lenders have been subrogated by reason of making a cure payment; (11) payment of any due but unpaid fees, costs and expenses of the Tranche A2 agent; (12) payment of any due but unpaid fees, costs and expenses of any other Tranche A2 party (other than any amount specified below); (13) payment, *pari passu*, of: (a) interest accrued and payable on the Tranche A2 loan including default interest but excluding interest to which paragraphs (15) or (16) apply; and (b) any amount due and payable to a hedge counterparty in respect of any Tranche A2 hedge transaction or junior ranking LPI hedge transaction (other than any subordinated hedge amount), excluding any such interest or amount referable to excess debt; (14) payment of principal due and payable on the Tranche A2 loan (other than any Tranche A2 loan to which any paragraph below relates), excluding any excess debt; (15) payment or repayment of any amount in respect of the Tranche A2 loan to which all of the Tranche B lenders have been subrogated by reason of making a cure payment; (16) payment or repayment of any amount in respect of the Tranche A2 loan to which all of the Tranche C lenders have been subrogated by reason of making a cure payment; (17) payment of any due but unpaid fees, costs and expenses of the Tranche B agent; (18) payment of any due but unpaid fees, costs and expenses of any other Tranche B party (other than any amount specified below); (19) payment, *pari passu*, of: (a) interest accrued and payable on the Tranche B loan including default interest but excluding interest to which paragraph (21) applies; and (b) any amount due and payable to the Tranche B hedge counterparty in respect of the Tranche B hedge transaction (other than any subordinated hedge amount), excluding any such interest or amount referable to excess debt; (20) payment of principal due and payable on the Tranche B loan (other than Tranche B loan to which any paragraph below relates), excluding any excess debt; (21) payment/repayment of any amount in respect of the Tranche B loan to which all of the Tranche C lenders have been subrogated by reason of making a cure payment; (22) payment of any due but unpaid fees, costs and expenses of the Tranche C agent; (23) payment of any due but unpaid fees, costs and expenses of any other Tranche C party (other than in relation to any amount specified below); (24) payment, *pari passu*, of: (a) interest accrued and payable on the Tranche C loan (including default interest); and (b) any amount due and payable to the Tranche C hedge counterparty in respect of the Tranche C hedge transaction (other than any subordinated hedge amount), excluding any such interest or amount referable to excess debt; (25) payment of principal due and payable on the Tranche C loan (other than Tranche C loan to which any paragraph below relates), excluding any excess debt; (26) any balance remaining shall be applied, *pari passu*, towards (a) prepayment of the loans (first, Tranche A2, then Tranche B, then Tranche C and thereafter Tranche A1); and (b) any amount payable to a hedge counterparty as a result of a prepayment referred to in (a); (27) payment of all other amounts due but unpaid to any Tranche A1 party (excluding excess debt and any subordinated hedge amount); (28)

payment of all other amounts due but unpaid to any Tranche A2 party (excluding excess debt and any subordinated hedge amount); (29) payment of all other amounts due but unpaid to any Tranche B party (excluding excess debt and any subordinated hedge amount); (30) payment of all other amounts due but unpaid to any Tranche C party (excluding excess debt and any subordinated hedge amount); (31) payment/repayment of any cure payment made by some, but not all, of the Tranche A2 lenders (including, where applicable, any amount in respect of a loan to which some, but not all, the Tranche A2 lenders have all been subrogated by reason of making a cure payment); (32) payment or repayment of any cure payment made by some, but not all, of the Tranche B lenders (including, where applicable, any amount in respect of a loan to which some, but not all, the Tranche B lenders have all been subrogated by reason of making a cure payment); (33) payment or repayment of any cure payment made by some, but not all, of the Tranche C lenders (including, where applicable, any amount in respect of a loan to which some, but not all, the Tranche C lenders have all been subrogated by reason of making a cure payment); (34) payment, *pari passu*, of: (a) any subordinated hedge amount due and payable to the Tranche A1 hedge counterparty; (b) any subordinated hedge amount due and payable to the Tranche A2 hedge counterparty; and (c) any subordinated hedge amount due and payable to the senior ranking LPI hedge counterparty; (35) payment of any subordinated hedge amount due and payable to the Tranche B hedge counterparty or the junior ranking LPI hedge counterparty; (36) payment of any subordinated hedge amount due and payable to the Tranche C hedge counterparty; (37) payment of any excess debt due but unpaid to the Tranche A1 Parties; (38) payment of any excess debt due but unpaid to the Tranche A2 Parties; (39) payment of any excess debt due but unpaid to the Tranche B parties; (40) payment of any excess debt due but unpaid to the Tranche C parties; and (41) payment to the propco or other person entitled to it, by transfer to the general account.

Post-enforcement: (1) in or towards payment of any rent or other sums due and payable under any head lease; (2) in or towards the payment of any due but unpaid fees, costs and expenses of any receiver; (3) in or towards the payment of any due but unpaid fees, costs and expenses of the security trustee; (4) in or towards the payment of any due but unpaid fees, costs and expenses of the Tranche A1 agent; (5) in or towards payment of any due but unpaid fees, costs and expenses of any other Tranche A1 party; (6) repayment, *pari passu*, of any AEF loan and property protection loan then outstanding and accrued interest thereon; (7) in or towards payment, *pari passu*, of any amount due and payable to a Tranche A1 hedge counterparty or a senior ranking LPI hedge counterparty in respect of any Tranche A1 hedge transaction or senior ranking LPI hedge transaction (other than any subordinated hedge amount); (8) in or towards payment, *pari passu*, of (i) accrued interest on the Tranche A1 loan (other than an AEF loan or a property protection loan) including default interest; (ii) if there has been a mandated securitisation, any ongoing facility fee and any borrower step-up fee then due and payable; and (iii) any other amount due but unpaid to a securitisation lender, excluding any such interest or amount referable to excess debt; (9) in or towards payment of any principal due and payable on the Tranche A1 loan (other than an AEF loan or a property protection loan), excluding any excess debt; (10) in or towards payment of all other amounts due but unpaid to each Tranche A1 party (excluding excess debt and any subordinated hedge amount); (11) in or towards payment or repayment of any amount in respect of the Tranche A1 loan to which all of the Tranche A2 lenders have been subrogated by reason of making a cure payment); (12) in or towards payment or repayment of any amount in respect of the Tranche A1 loan to which all of the Tranche B lenders have been subrogated by reason of making a cure payment; (13) in or towards payment or repayment of any amount in respect of the Tranche A1 loan to which all of the Tranche C lenders have been subrogated by reason of making a cure payment; (14) in or towards the payment of any due but unpaid fees, costs and expenses of the Tranche A2 agent; (15) in or towards payment of any due but unpaid fees, costs and expenses of any other Tranche A2 party; (16) in or towards payment, *pari passu*, of (i) accrued interest on the Tranche A2 loan including default interest; and (ii) any amount due and payable to a hedge counterparty in respect of any Tranche A2 hedge transaction or junior ranking LPI hedge transaction (other than any subordinated hedge amount), excluding any such interest or amount referable to excess debt; (17) in or towards payment of principal due and payable on the Tranche A2 loan, excluding any excess debt; (18) in or towards payment of all other amounts due but unpaid to the Tranche A2 parties; (19) in or towards payment or repayment of any amount in respect of the Tranche A2 loan to which all of the Tranche B lenders have been subrogated by reason of making a cure payment; (20) in or towards payment or repayment of any amount in respect of the Tranche A2 loan to which all of the Tranche C lenders have been subrogated by reason of making a cure payment; (21) in or towards the payment of any due but unpaid fees, costs and expenses of the Tranche B agent; (22) in or towards payment of any due but unpaid fees, costs and expenses of any other Tranche B party; (23) in or towards payment, *pari passu*, of (i) accrued interest on the Tranche B loan including default interest; and (ii) any amount due and payable to the Tranche B hedge counterparty in respect of the Tranche B hedge

transaction (other than any subordinated hedge amount), excluding any such interest or amount referable to excess debt; (24) in or towards payment of principal due and payable on the Tranche B loan, excluding any excess debt; (25) in or towards payment of all other amounts due but unpaid to the Tranche B parties; (26) in or towards payment or repayment of any amount in respect of the Tranche B loan to which all of the Tranche C lenders have been subrogated by reason of making a cure payment; (27) in or towards the payment of any due but unpaid fees, costs and expenses of the Tranche C agent; (28) in or towards payment of any due but unpaid fees, costs and expenses of any other Tranche C party; (29) in or towards payment, *pari passu*, of (i) accrued interest on the Tranche C loan (including default interest); and (ii) any amount due and payable to the Tranche C hedge counterparty in respect of the Tranche C hedge transaction (other than any subordinated hedge amount), excluding any such interest or amount referable to excess debt; (30) in or towards payment of principal due and payable on the Tranche C loan, excluding any excess debt; (31) in or towards payment of all other amounts due but unpaid to the Tranche C parties; (32) in or towards payment or repayment of any cure payment made by some, but not all, of the Tranche A2 lenders (including, where applicable, any amount of a loan to which some, but not all, the Tranche A2 lenders have all been subrogated by reason of making a cure payment); (33) in or towards payment or repayment of any cure payment made by some, but not all, of the Tranche B lenders (including, where applicable, any amount of a loan to which some, but not all, the Tranche B lenders have all been subrogated by reason of making a cure payment); (34) in or towards payment or repayment of any cure payment made by some, but not all, of the Tranche C lenders (including, where applicable, any amount of a loan to which some, but not all, the Tranche C lenders have all been subrogated by reason of making a cure payment); (35) in or towards payment, *pari passu*, of (i) any subordinated hedge amount due and payable to the Tranche A1 hedge counterparty; (ii) any subordinated hedge amount due and payable to the Tranche A2 hedge counterparty; and (iii) any subordinated hedge amount due and payable to the senior ranking LPI hedge counterparty or the junior ranking LPI hedge counterparty; (36) in or towards payment of any subordinated hedge amount due and payable to the Tranche B hedge counterparty; (37) in or towards payment of any subordinated hedge amount due and payable to the Tranche C hedge counterparty; (38) in or towards payment of any excess debt due but unpaid to the Tranche A1 parties; (39) in or towards payment of any excess debt due but unpaid to the Tranche A2 parties; (40) in or towards payment of any excess debt due but unpaid to the Tranche B parties; (41) in or towards payment of any excess debt due but unpaid to the Tranche C parties; (42) in or towards payment of any amount payable to a securitisation lender pursuant to the terms of a securitisation floating charge debenture; and (43) payment to the borrower or other person entitled thereto.

Prior Ranking Swaps: See "*Contractual Rent Waterfall*" above.

Intercreditor arrangements: The facility consists of four tranches (A1, A2, B and C) with the Obligors holding parts of tranches A2, B and C.

The majority junior lenders (majority tranche A2, B and C lenders) are able to enforce the loan only if the loan has been accelerated or an event of default has been continuing for 120 days or more and the market value of the assets is at least 125 per cent. of the debt (including hedging liabilities) ranking senior to it. Unanimous consent of all lenders is required to make material modifications. Majority tranche A1 lenders, tranche A2 lenders and tranche B lenders and tranche C lenders required to amend occupational leases and consent to disposals outside of the terms of the facility agreement unless the market value of the assets is less than the aggregate of the debt ranking senior to the relevant tranche and 25 per cent. of the relevant tranche.

Other material clauses: The loans are cross-collateralised.

Asset Level Borrower and Sponsor

Barchester Holdco Limited (the Asset Level Borrower) is a private limited liability company incorporated in England and Wales and is owned (directly or indirectly) by Grove Limited a private limited liability company incorporated in Jersey. The properties are let to Barchester Healthcare (the "**Tenant**"). The Asset Level Borrower and the Tenant have the same ultimate owner. 28 of the properties are held on the basis of an internal OpCo/PropCo Structure.

Collateral

Brief description: The collateral consists of 160 care homes which are fully let to the Tenant (who also operates them) pursuant to an internal OpCo/PropCo Structure. There are three 30 year long master FRI leases (commenced in 2006).

Location: Spread across the UK with a focus on London and the South East.

Tenure: Mix of freehold and leasehold

Use: Nursing homes

Total Gross Rent: £79,245,352

Total Net Rent: £79,245,352

Occupancy: 100 per cent. let to the operating company

Security Package: Typical security package including: (1) first ranking charge by way legal mortgage/ standard security over the majority of the properties; (2) fixed charge over property, shares, plant, machinery, rent deposits and accounts; (3) assignment of proceeds of any insurance policy, rental income and all rights and title in specific contacts; and (4) a floating charge (which is deferred in priority to any Scottish floating charge).

Tenancy Description (of Major Tenants)

<u>Major tenants</u>	<u>Use</u>	<u>Rent</u>	<u>% of rent</u>	<u>SQFT</u>	<u>Lease type</u>	<u>Lease Expiry</u>
Barchester Healthcare Homes Limited and Barchester Nominee (No. 1) Limited.....	Nursing	79,245,352	100.0 %	INA	FRI	27/10/2036

Loan Performance and Status

The loan is not defaulted.

As at 2 July 2012 the total amount outstanding under the A1 tranche was £533.8m (of which the Isobel share was £0), the total amount outstanding under the A2 tranche was £78.8m (of which the Isobel share was £26.7m), the total amount outstanding under the B tranche was £189.0m (of which the Isobel share was £36.4m) and the total amount outstanding under the C tranche was £117.0m (of which the Isobel share was £59.7m). The reduction in amounts outstanding has arisen as a result of contractual amortisation.

Loan 6 / Connection ID 5 – Warner: £ 102.0 million loan secured against 24 mixed-use properties (the "Warner Property Loan")

Mortgage Loan Information

Original Lender: RBS
 Asset Level Borrower: Several (see below)
 Facility Agent: RBS
 Security Agent/Trustee: RBS
 Loan purpose: Refinancing, capital expenditure and general corporate purposes
 Payment dates: 12 January, April, July and October in each year (and, in the case of the PIK Margin, April in each year only and the final repayment date)

Debt metrics

£M Balance Date	Origination May-08	Cut Off Date Dec-11
Limit	225.0	102.0
Utilisation of Term Loan	200.0	100.4
Utilisation of RCF ²⁷	N/A	1.7
Number of tranches	1	2
Valuation	373.1	



Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Interest Rate Swaps				
Senior	2.33	40.0	12 Apr-13	Quarterly



²⁷ The RCF limit is 1.67 of which 1.65 is drawn as at the Cut Off Date.

Whole Loan Capital Stack as at 31/12/2011 and Covenants as at 30/09/2011²⁸

Tranche	Total drawn Amount (£ms)	Isobel Share (£ms)	LTV	LTV covenant	ICR	ICR covenant	AM ICR covenant	Margin	PIK Margin	Maturity	Repayment type
Term Loan.....	100.4	100.4	112.3%	117.5%	158.0 %	125%	175%	1.55%	3.00%	31 Dec-12	Balloon with amortisation
RCF ²⁹	1.7	1.7	112.3%	117.5%	158.0 %	125%	175%	1.55%	3.00%	31 Dec-12	Repaid quarterly
Total (including available RCF	102.0	102.0									

Cash Management & Deal Specifics

Contractual Rent Waterfall: Rental income, fees under the asset management agreements, income from the unit holdings, hedging proceeds and VAT amounts must be paid immediately into a charged account to be applied in the following order: (1) ground rent due under any headlease; (2) fees, costs and expenses of the agent; (3) *pro rata* interest, fees and commission due to the lenders and periodic payments due to the hedging counterparty; (4) *pro rata* principal payments due to the lenders and non-periodic payments due to the hedging counterparty; (5) *pro rata* interest and principal on any property protection loans advanced; and (6) *pro rata* any other amounts due under the finance documents (7) provided that no default is continuing, any surplus may be paid to an obligor's general account for application against general corporate purposes or in distribution.

Prior Ranking Swaps: See "*Contractual Rent Waterfall*" above.

Intercreditor arrangements: None. The loan is not syndicated.

Other material clauses: Facility is secured on the properties but the financial covenants are also tested by reference to income payable under the asset management agreements (see above). On each payment date falling in April, the PIK interest is capitalised and added to the principal balance of the loan.

Asset Level Borrower and Sponsor

There are a number of Asset Level Borrowers under the loan which are as follows: Warner Estate Holdings PLC, Warner Estates Development (Folkestone) Limited, Warner Estates Investments Limited, Warner Active Management No. 2 Limited, Warner Active Management No. 4 Limited, Ashtenne Asset Management Limited, Apia Asset Management Limited, Radial Distribution Asset Management Limited, Warner Estate (AM.PM) Limited, Warner Estate, Limited, Warner Estate Management Limited, Lancaster Holdings Limited, Principal Leasehold Properties Limited, Ashtenne Holdings Limited and Warner Estate (Jersey) Limited.

The parent company of all Asset Level Borrowers is Warner Estate Holdings plc (a listed REIT).

Collateral

Brief description: At origination, the loan was secured on 27 properties. At the Cut Off Date, 24 remained comprising a mixed-use portfolio of office, industrial and investment assets.

Location: Predominantly the South East of England.

Tenure: Mixed Freehold & Leasehold

Use: Mixed

Total NLA: 948,558

²⁸ This is the last test date for financial covenants prior to 31 December 2011. The financial covenants in relation to this Property Loan apply on an aggregated basis across the Term Loan and RCF (i.e. separate financial covenants do not apply to each tranche).

²⁹ The RCF limit is 1.67 of which 1.65 is drawn as at the Cut Off Date.

Total Gross Rent: £6,547,162

Total Net Rent: £6,356,414

Occupancy: 89.6 per cent.

Security Package: Typical package in respect of most of the Asset Level Obligors including: (1) charge by way of first ranking legal mortgage over each property; (2) fixed charge over shares (including the units in the Apia trust), plant and machinery, book debts and bank accounts (in most cases) and, goodwill etc; and (3) assignment of insurance policies, hedging arrangements and certain other specified contracts; and (4) a floating charge. However, there is no share security over some of the Asset Level Borrowers. In addition, security has not been taken over all of the asset management contracts because some of the asset management contracts contain restrictions on assignment.

Tenancy Description (of Major Tenants)

Major tenants	Use	Rent (£/annum)	% of rent	NLA (SQFT)	Lease type	Lease Expiry
Lifestyle Europe Limited.....	Car dealership	813,198	12.8%	107,736	FRI	10/05/2026
Home Delivery Network	Delivery service	622,275	9.8%	135,884	FRI	11/06/2018
Inchscape Retail Limited.....	Retail	390,000	6.1%	43,088	FRI	16/05/2016
		306,400 (net rent)				
Primark.....	Retail	361,400 (gross rent)	4.8%	30,010	FRI	12/08/2022
London Metropolitan University	University	315,000	5.0%	26,404	FRI	26/01/2014

Loan Performance and Status

The loan maturity was extended to 31 December 2012. The loan is in default due to a breach of its loan to value covenant.

A press release issued by Warner Estate Holdings plc on 17 August 2012 indicates that "the Group has been in negotiations with an affiliate of The Royal Bank of Scotland ('the **RBS Affiliate**') to agree a proposal for the RBS Affiliate, directly or indirectly, obtaining control of its secured real estate and related assets together with the benefit of certain of its other secured assets. The directors of two of the Group subsidiaries, Warner Estate Investments Limited and Warner Estate Development (Folkestone) Limited, have consensually agreed with the RBS Affiliate to appoint fixed charge receivers over certain secured real estate assets of those two companies as the preferred option to maximise the return to this lender."

As at 2 July 2012 the total amount outstanding under the term loan was £92.3m, the total amount outstanding under the revolving credit facility was £1.7m and the aggregate total amount outstanding was £94.0m. The reduction in the amounts outstanding in relation to the term loan has arisen as a result of property disposals and contractual amortisation.

Loan 7 / Connection ID 6 - Heathrow/V&A: £84.8m loan secured against 2 hotels (the "Heathrow/V&A Property Loan")

Mortgage Loan Information

Original Lender: RBS
 Asset Level Borrower: Dania Properties Heathrow Limited and Dania Properties Manchester Limited
 Facility Agent: RBS
 Security Agent/Trustee: RBS
 Loan purpose: Refinancing, fees and expenses
 Payment dates: 7 January, April, July and October in each year

Debt metrics

£M	Origination	Cut Off Date
Balance Date	Dec-07	Dec-11
Limit	140.0	139.6
Utilisation	140.0	139.6
Number of tranches	3	3
Valuation	175.0	



Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Interest Rate Swaps				
Senior and Stretch Senior ...	5.10	116.4	21 Dec-27	Quarterly
Senior and Stretch Senior ...	5.10	18.8	21 Dec-27	Quarterly
Mezzanine	5.10	0.6	21 Dec-27	Quarterly
Mezzanine	5.10	3.8	21 Dec-27	Quarterly
LPI Swaps				
N/A	2.55	2.0	29 Jun-27	Quarterly



Whole Loan Capital Stack as at 31/12/2011 and Covenants as at 07/10/2011³⁰

Tranche	Total drawn Amount (£ms)	Isobel Share (£ms)	LTV	LTV covenant	ICR	ICR covenant	Margin	Maturity	Repayment type
Senior loan	113.4	58.6	150.1%	80%	107.0%	107.0%	1.735%	7 Jan-15	Amortisation
Stretch senior loan.....	21.8	21.8	150.1%	80%	107.0%	107.0%	1.735%	7 Jan-15	Amortisation
Mezzanine loan.	4.4	4.4	155.0%	85%	102.6%	100.0%	8.00%	7 Jan-15	Bullet
Total	139.6	84.8							

Cash Management & Deal Specifics

Contractual Rent Waterfall: Rental income, VAT, hedging proceeds and any other amounts received must be paid promptly into a charged account to be applied in the following order:

Prior to a payment default, breach of financial covenant or insolvency event:

(1) ground rent; (2) fees, costs and expenses of the agent; (3) *pro rata* and *pari passu* interest and fees payable to the senior lenders and the stretch senior lenders and periodic payments to the hedging counterparty in respect of the senior loan and the stretch senior loan; (4) *pro rata* any amounts owing to the hedging counterparty as a result of termination of the hedge relating to the senior loan and the stretch senior loan and amortisation of the senior loan and the stretch senior loan until the aggregate balance of the senior loan and the stretch senior loan has been reduced to £133,500,000; (5) *pro rata* interest payable to the mezzanine lenders and periodic payments to the hedging counterparty in respect of the mezzanine loan; (6) any amounts owing to the hedging counterparty as a result of termination of the hedge relating to the mezzanine loan; (7) any other amounts payable but unpaid under the finance documents; and (8) surplus income (after retaining the maximum amount to be paid in respect of tax in the following 12 month period) is then credited to the general account (prior to a default). The amount reserved in respect of tax may be credited (at the request of the Asset Level Borrower) to the tax reserve account prior to a default.

After a payment default, breach of financial covenant or insolvency event:

(1) ground rent; (2) fees, costs and expenses of the agent; (3) *pro rata* and *pari passu*, interest and fees payable to the senior lenders and periodic payments to the hedging counterparty in respect of the senior loan; (4) *pro rata* and *pari passu* any amounts owing to the hedging counterparty as a result of termination of the hedge relating to the senior loan and principal amounts payable in respect of the senior loan; (5) *pro rata* and *pari passu*, interest and fees payable to the stretch senior lenders and periodic payments to the hedging counterparty in respect of the stretch senior loan; (6) *pro rata* and *pari passu* any amounts owing to the hedging counterparty as a result of termination of the hedge relating to the stretch senior loan and principal amounts payable in respect of the stretch senior loan; (7) *pro rata* interest payable to the mezzanine lenders and periodic payments to the hedging counterparty in respect of the mezzanine loan; (8) any amounts owing to the hedging counterparty as a result of termination of the hedge relating to the mezzanine loan; and (9) any other amounts payable but unpaid under the finance documents.

Prior Ranking Swaps: See "*Contractual Rent Waterfall*" above. The ranking of the LPI hedging arrangements is unclear under the Asset Level Finance Documents. The parties to the Asset Level Finance Documents are in discussions in this respect.

Intercreditor arrangements: There are two intercreditor agreements. The first governs the relationship between all lenders and the second sets out the rights and obligations of the senior lenders and the stretch senior lenders as between themselves. As at the Cut Off Date, the Borrower held approximately £58.6m (approx 52%) of the senior loan, the entire of the stretch senior loan and the mezzanine loan. Certain amendments (to the debentures and the intercreditor agreements may only be made with the consent of agents acting for the senior lenders, the mezzanine lenders and RBS as seller (see Asset Level Borrower and Sponsor section below for details of the Seller). Generally enforcement action is taken by the trustee

³⁰ This is the last test date for financial covenants prior to 31 December 2011. The covenants limits and levels relating to the Senior and Stretch Senior loans apply on an aggregated basis (i.e. separate financial covenants do not apply to each tranche).

on instruction by the majority senior lenders. The majority stretch senior lenders are able to take enforcement action if the relevant event of default is outstanding for 60 days or the loan is accelerated and the aggregate market value of the properties is greater than 120 per cent. of the senior debt. The mezzanine lenders are able to take enforcement action if a material event of default (non-payment, breach of financial covenant or insolvency) is outstanding for 120 days or the loan is accelerated and the aggregate market value of the properties is greater than 120 per cent. of the aggregate of the senior debt and the stretch senior debt. RBS as Seller may also take enforcement action in certain circumstances.

Other material clauses: RBS as seller of the borrowing entities may enforce the guarantee from Octagon Assets Limited (an indirect holding company of the Asset Level Borrowers) relating to deferred consideration and the share charge granted by Isobel Investments Limited over the shares of Dania Properties H Limited

Asset Level Borrower and Sponsor

The Asset Level Borrowers are special purpose vehicles incorporated in England and Wales. The sponsor is an individual with similar hotel investments.

Collateral

Brief description: Two hotels: one located in Manchester (V&A) and let to Marriott, the second located at Heathrow Airport (Park Inn) and let to Rezidor.

Location: Manchester and Heathrow Airport.

Tenure: Freehold and long leasehold

Use: Hotels

Total Gross Rent: £9,804,542

Total Net Rent: £9,804,542

Occupancy: 100.0 per cent.

Security Package: Typical package including: (1) charge by way of first ranking legal mortgage over each property; (2) fixed charge over shares, plant and machinery, leases, certain contracts, bank accounts, goodwill etc; and (3) assignment of insurance policies, hedging arrangements and certain other amounts; and (4) a floating charge. In addition, certain collateral warranties and work agreements have been assigned. In addition, the parent company Dania Properties M Limited have entered into a debenture over its assets in favour of the finance parties including over its interests in the Asset Level Borrowers, Dania Properties M Limited also guarantees the performance of the Asset Level Borrowers pursuant to a guarantee granted in favour of the finance parties.

<u>Major tenants</u>	<u>Use</u>	<u>Rent (£/annum)</u>	<u>% of Rent</u>	<u>NLA (SQFT)</u>	<u>Lease type</u>	<u>Lease Expiry</u>
The Park Inn	Hotel	8,665,864	88.4%	516,668	FRI	10/07/2031
Victoria & Albert Hotel..	Hotel	1,138,678	11.6%	89,976	FRI	28/02/2054

Loan Performance and Status

The Asset Level Borrowers are currently in administration. Administrators were appointed by the court on 13 March 2012. Since this date interest has been accruing into an interest accrual account.

As at 2 July 2012 the total amount outstanding under the Senior tranche was £113.4m (of which the Isobel share was £58.6m), the total amount outstanding under the Stretch Senior tranche was £21.8m (of which the Isobel share was £21.8m) and the total amount outstanding under the Mezzanine tranche was £4.4m (of which the Isobel share was £4.4m). The reduction in amounts outstanding (as indicated in the table contained in "Summary of material changes to the principal balance of the Property Loans since the Cut Off Date") has arisen as a result of contractual amortisation.

Loan 8 / Connection ID 7 – Toys R Us: £ 60.7 million loan secured against 30 retail warehouses and one distribution centre (the "Toys "R" Us Property Loan")

Mortgage Loan Information

Original Lender: RBS
 Asset Level Borrower: Toys "R" Us Properties (UK) Limited
 Facility Agent: Deutsche Bank AG, London Branch
 Security Agent/Trustee: Deutsche Bank AG, London Branch
 Loan purpose: Property acquisition and transaction costs
 Payment dates: 7 January, 7 April, 7 July and 7 October in each year

Debt metrics

£M Balance Date	Origination Feb-06	Cut Off Date Dec-11
Limit	420.2	408.9
Utilisation	418.2	408.9
Number of tranches	2	2
Valuation	502.6	



Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Interest Rate Swaps				
Tranche A.....	4.56	348.5	7 Apr-13	Quarterly
Tranche B.....	4.56	58.8	7 Apr-13	Quarterly
Tranche B.....	5.69	1.8	7 Apr-13	Quarterly

Whole Loan Capital Stack as at 31/12/2011 and Covenants as at 07/10/2011³¹

Tranche	Total Amount (£ms)	Isobel Share (£ms)	LTV	ICR	ICR covenant	Margin	Maturity	Repayment type
Tranche A (CMBS)	348.2	0	N/A	152.0%	110%	0.46% ³²	7 Apr-2013	Amortisation
Tranche B.....	60.7	60.7	N/A	152.0%	110%	2.25%	7 Apr-2013	Amortisation
Total	408.9	60.7						

Cash Management & Deal Specifics

Contractual Rent Waterfall: The Asset Level Borrower is required to ensure that all rental income (other than VAT) and amounts payable under hedging agreements (subject to certain exclusions) are paid into a charged account, such amounts to be applied in the following order:

- (i) if no Trigger Event (as described below) has occurred and funds in the rent account are sufficient to discharge the amounts due under the finance documents, payment of (1) fees, costs and expenses of the administrative parties and the property manager and any due and unpaid facility fee (which includes certain amounts payable to the issuer under securitisation) (2) *pro rata* periodic hedging payments and due interest (3) *pro rata* hedging termination payments not arising through the fault of the hedge counterparty and principal (4) hedging termination

³¹ This is the last test date for financial covenants prior to 31 December 2011.

³² Calculated on a weighted average basis.

payments arising through the fault of the hedge counterparty (5) to the Asset Level Borrower's general account;

- (ii) if no Trigger Event (as described below) has occurred and funds in the rent account are insufficient to discharge the amounts due under the finance documents, payment of (1) fees, costs and expenses of the administrative parties and the property manager and any due and unpaid facility fee (which includes certain amounts payable to the issuer under securitisation) (2) *pro rata* periodic hedging payments and due interest (3) *pro rata* hedging termination payments not arising through the fault of the hedge counterparty and principal (4) hedging termination payments arising through the fault of the hedge counterparty (5) *pro rata* any other amounts due and unpaid under the finance documents.
- (iii) if a Trigger Event (as described below) has occurred, payment of (1) interest on the senior loans (2) *pro rata* principal on the senior loans, break costs and other amounts payable to the senior lender (3) *pro rata* hedging amounts payments owed not covered by (9) below (4) cure payments made by a junior lender where the junior lenders have contributed on a *pro rata* basis (5) interest on the junior loans (6) principal on the junior loans (7) cure payments made by a junior lender not repaid under (4) above (8) *pari passu* and *pro rata*, default interest owed to the senior lender and the junior lender (9) hedging termination payments arising through the fault of the hedge counterparty (10) interest on cure payments at the default rate.

A "**Trigger Event**" occurs if the Asset Level Borrower has failed to pay principal or interest due under the Facility Agreement (unless such failure has been cured) or certain insolvency events have occurred.

Prior Ranking Swaps: See "*Contractual Rent Waterfall*" above.

Intercreditor arrangements: The rights of the senior lenders, the junior lenders, the hedge counterparties and the other finance parties are subject to the terms of a loan administration agreement as well as an intercreditor agreement. The lenders, the facility agent and the security agent have delegated the exercise of all its rights and powers and as a lender to the loan administrator meaning that the lenders are not able to enforce the loan independently of the loan administrator. The junior lender benefits from rights to appoint an operating advisor and the special servicer prior to the occurrence of certain trigger events, following which such rights cease to apply. In the event that an operating advisor has been appointed, the relevant loan administrator may not take certain actions without notifying and/or consulting the operating advisor (subject to certain exceptions). loan administrator(s) are responsible for dealing with waiver, amendment and consent requests **provided that** the consent of the junior lender is required in respect of certain material modifications. The loan administrator is authorised to determine the best strategy for exercising the rights of, amongst others, the lenders, the facility agent and the security agent following an event of default.

Other material clauses: The loan agreement permits substitution of properties subject to satisfaction of certain criteria. A facility fee is also payable to the lender under Tranche A on each payment date.

Asset Level Borrower and Sponsor

The Asset Level Borrower is a special purpose vehicle incorporated in England and Wales. The current sponsors are Bain Capital Ltd. a private equity firm, Kohlberg Kravis Roberts & Co. Ltd a private equity firm and Vornado Realty Trust a real estate investment trust.

Collateral

Brief description: The portfolio contains 31 properties comprising 30 retail outlets and warehouses and a single distribution warehouse. All properties are let to Toys R Us Limited (which forms part of the same group).

Location: Across the UK in predominantly out of town parks. Nine are in London and the South East.

Tenure: 19 are Freehold and 12 are long leasehold.

Use: Retail and warehouse.

Total Gross Rent: £33,227,896

Total Net Rent: £33,172,896

Occupancy: 100.0 per cent.

Security Package: The security package includes: (1) a charge by way of first ranking legal mortgage over each property situated in England and Wales; (2) a standard security over each of property situated in Scotland; (3) a fixed charge over future leasehold and freehold property (including buildings, fixtures, fittings, fixed plant and machinery and the benefit of covenants for title and any money paid or payable in respect of such covenants) other than property located in Scotland, shares and other securities or investments (and related rights), plant and machinery, credit balances on accounts, goodwill, the benefit of authorisations, rights to recover and receive compensation and the Asset Level Borrower's uncalled capital; (3) an assignment of hedging agreements, lease documents, rental income and any related guarantee, the property management agreement, any purchase agreement and any other agreement to which the Asset Level Borrower is a party (other than any subject to fixed security); (4) an assignment of rents relating to Scottish properties; (5) a floating charge; and (5) a mortgage over the shares of the Asset Level Borrower

Tenancy Description (of Major Tenants)

<u>Major tenants</u>	<u>Use</u>	<u>Rent (£/annum)</u>	<u>% of rent</u>	<u>NLA (SQFT)</u>	<u>Lease type</u>	<u>Lease Expiry</u>
Toys "R" Us....	Retail	33,172,896	100.0 %	1,907,746	FRI	08/02/2035

Loan Performance and Status

The loan is not defaulted.

As at 2 July 2012 the total amount outstanding under Tranche A was £347.3m (of which the Isobel share was £0) and the total amount outstanding under Tranche B was £60.3m (of which the Isobel share was £60.3m). The reduction in amounts outstanding has arisen as a result of contractual amortisation.

Loan 9 / Connection ID 8 – DFS: £59.3 million loan secured against 27 properties (the "DFS Property Loan")

Mortgage Loan Information

Original Lender: RBS
 Asset Level Borrower: Delphi Properties Limited
 Facility Agent: The Governor and Company of the Bank of Ireland
 Security Agent/Trustee: The Governor and Company of the Bank of Ireland
 Loan purpose: Property acquisition, refinancing and funding intercompany loans
 Payment dates: 2 May, August, November and February in each year

Debt metrics

£M	Origination	Cut Off Date
Balance Date	Mar-05	Dec-11
Limit	150.0	188.7
Utilisation	150.0	188.7
Number of tranches	1	1
Valuation	202.2	



Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Interest Rate Swaps				
Senior	5.26	70.7	25 Mar-14	Quarterly
Senior	5.43	95.7	25 Mar-14	Quarterly
Senior	5.55	23.6	25 Mar-14	Quarterly

Whole Loan Capital Stack as at 31/12/2011 and Covenants as at 02/11/2011³³

Tranches	Total Amount (£ms)	Isobel Share (£ms)	LTV	ICR	ICR covenant	Margin	Maturity	Repayment type
Senior	188.7	59.3	N/A	126.2%	115.0%	1.25%	12 Apr-2012	Amortisation
Total	188.7	59.3						

Cash Management & Deal Specifics

Contractual Rent Waterfall: All net rental income, any amount received by the Asset Level Borrower under any hedging agreement, and any amount received by the Asset Level Borrower in repayment of the propco intercompany loan is paid into a charged account which is applied in the following order: (1) payment *pro rata* of any unpaid costs and expenses of the finance parties due but unpaid under the finance documents; (2) payment any accrued interest, fees, repayment instalments (to the extent not contemplated below) and other similar amounts due but unpaid under the finance documents due to the finance parties; (3) payment of any principal due but unpaid under the facility agreement; and (4) payment to the agent of all other amounts due to any finance party under the finance documents.

³³ This is the last test date for financial covenants prior to 31 December 2011.

The following withdrawals are permitted from the rent account (provided, in respect of items (a) to (c) no default is continuing): (a) payment due or to become due under headleases, fees due to a managing agent under the management agreement and payments of professional fees (aggregate amount not exceeding £50,000 (plus VAT) each quarter period); (b) amounts not exceeding £600,000 per financial year for payments of tax owing by the Asset Level Borrower; (c) any other payments (including capital expenditure) (with the consent of all the lenders, such consent not to be unreasonably withheld); (d) payment of costs relating to any valuation requested by the agent under the facility agreement, any valuation requested by the warrant holder under the terms of a warrant agreement in accordance with the facility agreement and the annual monitoring fee of the warrant holder under the warrant agreement; and (e) payment of any amount due but unpaid under the finance documents.

If the agent receives a payment that is insufficient to discharge all the amounts then due and payable the agent shall apply that payment in the following order: (1) payment *pro rata* of any unpaid costs and expenses of the arranger, agent and security trustee under the finance documents; (2) payment *pro rata* of any accrued interest, fees or commission due but unpaid under the facility agreement and any scheduled payments due but unpaid under any hedging agreement; and (3) payment *pro rata* of any other sum due but unpaid under the finance documents.

Prior Ranking Swaps: See "*Contractual Rent Waterfall*" above.

Intercreditor arrangements: The loan has been syndicated but not tranching. As the Borrower is not the majority lender, decisions may be taken without the consent of the Borrower subject to entrenched rights in respect of material modifications.

Other material clauses: The interest cover ratio has stepped up to 115 per cent. from 105 per cent. in February 2009. There is no loan to value covenant. A number of financial institutions hold warrants over 97.5 per cent. of the equity of the Asset Level Borrower.

Asset Level Borrower and Sponsor

Delphi Properties Limited (the Asset Level Borrower) is a limited liability company incorporated in England and Wales and is owned by a private limited liability company incorporated in England and Wales. The sponsor is an individual with extensive retail experience including founding a major furniture chain.

Collateral

Brief description: There are 21 retail outlets, five manufacturing and warehouse properties and a head office. The retail units are mainly located in out of town retail parks or are stand-alone units. The assets are let to the DFS OpCo on a lease which expires in March 2030

Location: Two properties are in London and the South East with the remainder across the UK

Tenure: A mixture of freehold and leasehold

Use: The retail units contain DFS shops (though two are partly sub-let). The other properties are used for distribution, logistics and head office operations

Total Gross Rent: £15,844,541

Total Net Rent: £15,794,331

Occupancy: 100.0 per cent.

Security Package: Typical security package including: (1) charge by way legal mortgage or standard security over the properties (as applicable); (2) fixed charge over property, shares, contractual rights, bank account and plant and machinery; (3) assignment of rent in respect to the majority of the Scottish properties, (4) security over the shares in the borrower; and (5) a floating charge (which is deferred in priority to any Scottish floating charge).

Tenancy Description (of Major Tenants)

Major tenants	Use	Rent (£/annum)	% of rent	NLA (SQFT)	Lease type	Lease Expiry
DFS Trading Ltd....	Retail/ Warehouses	15,794,331	100.0%	903,737	FRI	24/03/2030

Loan Performance and Status

The loan is in default following non-payment of the principal debt at maturity. The loan is also in breach of its ICR covenant. Default interest is being charged at an additional rate of 1% per annum.

As at 2 July 2012 the total amount outstanding was £188.1m (of which the Isobel share was £59.1m). The reduction in amounts outstanding has arisen as a result of contractual amortisation.

Loan 10 / Connection ID 9 - Prestbury Wentworth: £56.7 million loan secured against 211 public houses (the "Prestbury Property Loan")

Mortgage Loan Information

Original Lender: RBSI
 Asset Level Borrower: Prestbury Wentworth Limited
 Facility Agent: Bank of Scotland plc
 Security Agent/Trustee: Bank of Scotland plc
 Loan purpose: Facility A and Facility B: fund payment of the purchase price of shares in Prestbury Wentworth Intermediate Ltd (the "**Target**") and repay the existing intercompany loans. Also, in respect of Facility B only, settlement of an interest shortfall under the hedging documents and fund payment of the related hedging costs for Facility B

Facility C: fund payment of fees/costs related to the fourth amendment agreement, interest accrued on Facility C, refinance amounts outstanding under each investor loan agreement and payment due to the hedging bank

Payment dates: 29 January, April, July and October in each year

Debt metrics

£M Balance Date	Origination Mar-04	Cut Off Date Dec-11
Limit	547.9	272.8
Utilisation	INA	272.8
Number of tranches	3	1
Valuation	368.0	



Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Interest Rate Swaps				
Senior	5.06	498.8	29 Jan-20	Quarterly

Maturity

29 Jan-20



Whole Loan Capital Stack as at 31/12/2011 and Covenants as at 31/12/11³⁴

Tranches	Total Amount (£ms)	Isobel Share (£ms)	LTV	LTV covenant	Projected ICR	Historic ICR	Historic and Projected ICR covenant	Margin	Maturity	Repayment type
Tranche A.....	272.8	56.7	66.2%	81%	185.7%	171.5%	160%	2.25%	29 Oct-13	Cash Sweep
Tranche B.....	INA	0	INA	N/A	129.6%	123.4%	107.5%	0.00%	29 Oct-13	N/A
Tranche C.....	INA	0	INA	N/A	N/A	N/A	N/A	0.00%	29 Oct-13	N/A
Total	INA	56.7								

Cash Management & Deal Specifics

Contractual Rent Waterfall: All net rental income (subject to certain exclusions) and amounts receivable under the hedging arrangements are paid into the rent account and are required to be applied in the following order:

If the facility agent has received an amount sufficient to discharge all amounts due and payable under the finance documents:

(1) payment *pro rata* of any unpaid costs and expenses of the administrative parties (due under the finance documents); (2) payment *pro rata*: (a) to the hedging banks of any amount due but unpaid under the hedging documents; and (b) to the facility agent for payment to the relevant finance parties of any accrued interest, fees and other amounts due but unpaid under the finance documents; and (3) prepayment of tranche A loans and then prepayment of the tranche B loans.

If the facility agent has received an insufficient amount to discharge all amounts due and payable under the finance documents:

(1) payment *pro rata* of any unpaid fees, costs and expenses of the administrative parties due under the finance documents; (2) payment of any accrued interest or fee due but unpaid under tranche A (3) payment of any due but unpaid principal under tranche A (4) payment of any accrued interest or fee due but unpaid under tranche B (5) payment of any due but unpaid principal under tranche B (6) payment of any accrued interest or fee due but unpaid under tranche C (7) payment of any due but unpaid principal under tranche C (8) payment *pro rata* of any sum due but unpaid under the finance documents.

The proceeds of enforcement are required to be applied in the following order:

(1) payment of fees, costs, expenses and liabilities (and interest thereon) of the security agent and any receiver, attorney or agent; (2) payment of the costs and expenses of any lender or hedging bank in connection with enforcement (3) payment to the facility agent for application against tranche A liabilities and hedging liabilities (other than hedging liabilities incurred in breach of the priority agreement) (4) payment to the facility agent for application against tranche B liabilities (5) payment to the facility agent for application against tranche C liabilities (6) payment to the facility agent for application against hedging liabilities incurred in breach of the priority agreement (7) payment of any surplus to the obligor or any other person entitled.

Prior Ranking Swaps: see "*Contractual Rent Waterfall*" above.

Intercreditor arrangements: The facility consists of three tranches (A, B and C). The Obligors have an interest in tranche A. The majority tranche A lenders may enforce the loan although the relevant Obligor holds a minority interest in that tranche. The majority tranche B lenders or the majority tranche C lenders are able to take enforcement action if the tranche A lenders have accelerated the debt owing to them or certain material events of default have occurred and are continuing after 90 days for a non-payment default, 120 days for a breach of financial covenant or 150 days for any other event of material default. Unanimous consent of all lenders required to make certain material modifications affecting the junior piece.

³⁴ This is the last test date for the financial covenants prior to December 2011.

Other material clauses: The interest cover test stepped up during the term of the loan. On the date on which the Tranche A Loans are repaid in full, a fee equal to 1.50 per cent. of the Tranche A Commitments is payable.

Asset Level Borrower and Sponsor

Prestbury Wentworth Limited (the Asset Level Borrower) is a private limited liability company incorporated in England and Wales and is owned (indirectly) by seven investment companies including Uberior Ventures Limited (incorporated in Scotland), West Coast Capital (incorporated in Scotland) and Aldersgate Investments Limited (incorporated in the Bahamas). All of the public houses are let to (or guaranteed by) entities within the Punch Taverns group.

Collateral

Brief description: 211 public houses. Let on 30 year leases from March 2004. The pubs are generally food led (65 per cent.).

Location: Across the UK and Ireland. 35 per cent. of the portfolio is located in South East England, 16 are located in Scotland and two are in Wales. They are in a mix of city centre, rural and busy roadside locations

Tenure: 205 of the properties are freehold and 6 are long leasehold

Use: Public houses

Total Gross Rent: £35,788,984

Total Net Rent: £35,788,984

Occupancy: 100.0 per cent.

Security Package: Typical security package including: (1) first ranking charge by way legal mortgage or standard security over the majority of the properties; (2) fixed charge over property, shares, plant, machinery and accounts; (3) assignment of proceeds of any insurance policy and all rights and title in specific contacts; and (4) a floating charge (which is deferred in priority to any Scottish floating charge).

Tenancy Description (of Major Tenants)

<u>Major tenants</u>	<u>Use</u>	<u>Rent (£/annum)</u>	<u>% of rent</u>	<u>Lease type</u>	<u>Lease Expiry</u>
1. Punch Pub Company (Pubs) Limited	Pub	17,713,310	49.5%	FRI	24/03/34
2. Punch Pub Company (Trent) Limited	Pub	10,657,253	29.8%	FRI	24/03/34
3. Punch Partnerships (PGRP) Limited	Pub	4,105,922	11.5%	FRI	24/03/34
4. Orchid Pubs and Restaurants Limited	Pub	3,028,554	8.5%	FRI	24/03/34
5. Old Orleans Limited	Pub	283,945	0.8%	FRI	24/03/34

Loan Performance and Status

The loan is not defaulted.

As at 2 July 2012 the total amount outstanding under Tranche A was £265.4m (of which the Isobel share was £55.1m). The reduction in amounts outstanding has arisen as a result of contractual amortisation.

Following the demerger of Punch Taverns and Spirit Pub Company, a lease and guarantee restructure was completed in April 2012. Certain leases were extended from 2034 to 2044. Spirit Pub Co (PGE) Ltd will guarantee 163 of the leases, with Punch Taverns (PGE) Ltd guaranteeing the remainder.

Loans 11 and 12 / Connection ID 10 – London & Westcountry: £56.9 million loan secured against 25 industrial and trade park properties (the "London & Westcountry Property Loans")

Mortgage Loan Information

Original Lender: NatWest (acting by its agent, RBS)
 Asset Level Borrower: London & Westcountry Estates Limited
 Facility Agent: N/A
 Security Agent/Trustee: N/A
 Loan purpose: Refinancing, payment of financing costs and ongoing business purposes
 Payment dates: *Loan A:* (i) 10 October 2008, (ii) the final day of each interest period selected by the Asset Level Borrower, such periods being of a duration of 3 months or 6 months or as the Asset Level Borrower and the lender may otherwise agree (and if an interest period exceeds 6 months, the payment date shall also be 6 monthly and on expiry of the relevant interest period) and (iii) the maturity date

Loan B: (i) the final day of each interest period selected by the Asset Level Borrower (3 months or as otherwise agreed) and (ii) the maturity date.

Debt metrics

£M	Origination Aug-08 to Sep-09	Cut Off Date Dec-11
Balance Date		
Limit	56.9	56.9
Utilisation	56.5	56.9
Number of tranches	2	2
Valuation	N/A	



Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Interest Rate Swaps				
Senior (Loan A)	5.52	55.0	10 Jul-18	Quarterly

Whole Loan Capital Stack as at 31/12/2011 and Covenants as at 14/02/2011³⁵

£M	Total Amount (£ms)	Isobel Share (£ms)	LTV	LTV covenant	Historic ICR (covenant)	Projected ICR (covenant)	Margin	Maturity	Repayment type
Loan A	55.0	55.0	74.9%	75.0%	148.0% (covenant 150.0%)	INA (covenant 110.0%)	2.90%	31 Jul-2011	Bullet (subject to one debt reduction target)
Loan B.....	1.9	1.9	N/A	N/A	N/A	N/A	3.00%	31 May-2010	Full cash sweep
Total	56.9	56.9							

Cash Management & Deal Specifics

Contractual Rent Waterfall: If the Asset Level Borrower maintains a current account with the lender, the lender is entitled to debit from that account interest and other amounts owed by the Asset Level Borrower including unpaid fees and expenses.

If the Asset Level Borrower does not maintain a current account with the lender, the Asset Level Borrower is required to make arrangements as the lender may require in respect of payments required under the loan agreements. This may include opening feeder accounts for the purpose of collecting funds for the payment of all sums due under the loan agreements.

Prior Ranking Swaps: None.

Intercreditor arrangements: The loan is not syndicated. A deed of priority has been entered into between the owner, the lender and a private individual pursuant to which it has been agreed that (1) a debenture in favour of the lender ranks in priority to a debenture granted by the Asset Level Borrower in favour of that private individual (2) the Asset Level Borrower is required to comply with its obligations to the lender regarding payment of book debts in priority to its obligations to the private individual (3) the private individual may not apply for an administration order in relation to the Asset Level Borrower without consent of the lender (4) the private individual may not take steps to appoint an administrator of, or issue a petition for the winding up of, the Asset Level Borrower until it has given two business days written notice to the lender (5) if the private individual or the lender intends to enforce its respective charge, the private individual or the lender (as applicable) shall notify the other of its intention and shall consult with each other regarding the appointment of a receiver or administrator **provided that** this requirement shall not apply in the event that the private individual or the lender considers it necessary to take independent action (in which case it shall notify the other party of the action taken).

Other material clauses: Loan A and Loan B are cross-collateralised and cross-defaulted.

Asset Level Borrower and Sponsor

The Asset Level Borrower is a limited liability company incorporated in England and Wales. The Asset Level Borrower is a family owned property investment business in South West England and was founded in 1983.

Collateral

Brief description: A portfolio of 25 properties comprising industrial and trade counter investment assets.

Location: South West England, predominantly Bridgwater and Plymouth area

Tenure: Mixed leasehold and freehold

Use: Industrial Estate and business parks

Total Gross Rent: £5,178,584

³⁵ This is the last test date for financial covenants prior to maturity of the loans.

Total Net Rent: INA

Occupancy: INA

Security Package: The security package includes: (1) a charge by way of first ranking legal mortgage over each property; (2) a fixed charge on all land owned by the Asset Level Borrower (subject to specific exclusions), fixtures and fittings attached to land, furniture, furnishings, equipment, tools and other chattels at the property and not regularly disposed of in the ordinary course of business, all plant and machinery and associated warranties and maintenance contracts, all rents receivable, goodwill, uncalled capital, stocks, shares and other securities held by the Asset Level Borrower in a subsidiary and all associated income and rights, intellectual property, licences, claims, insurance policies and proceeds, other legal rights, hedging/treasury arrangements; and (3) a floating charge over all assets of the Asset Level Borrower (subject to specific exclusions).

Tenancy Description (of Major Tenants)

Major tenants	Use	Gross Rent (£/annum)	% of rent	NLA (SQFT)	Lease type³⁶	Lease Expiry
CDS (Superstores International) Ltd.	Industrial Estate	319,585	6.2%	51,710	EFRI	25/08/2031
Quadra Foods Limited	Industrial Estate	200,000	3.9%	60,000	EFRI	05/09/2015
Alan John Williams T/A Rodgman & Williams	Industrial Estate	124,684	2.4%	20,460	EFRI	23/12/2016

Loan Performance and Status

The Asset Level Borrower was placed into administration on 27 March 2012. Ernst & Young have been appointed as administrators.

As at 2 July 2012 the total amount outstanding under Loan A was £55.3m (of which the Isobel share was £55.3m) and the total amount outstanding under Loan B was £0.1m (of which the Isobel share was £0.1m). The reduction in the amounts outstanding has arisen as a result of property disposals, whilst there has also been some interest capitalisation.

³⁶ In this section "EFRI" means an "effective fully repairing and insuring" type lease.

Loan 13 / Connection ID 11 – Marlow: £53.9 million loan secured against a single office building
(the "Marlow Property Loan")

NOTE: THE MARLOW ASSET WAS SOLD ON 27 JULY 2012, RESULTING IN A PREPAYMENT OF THE MARLOW PROPERTY LOAN AND A RESULTANT PARTIAL PREPAYMENT OF £38.71M OF THE SENIOR LOAN. FOLLOWING SUCH PREPAYMENT NO FURTHER AMOUNTS ARE EXPECTED TO BE RECOVERED BY THE BORROWER IN RESPECT OF THE MARLOW PROPERTY LOAN.

Mortgage Loan Information

Original Lender: RBS
 Asset Level Borrower: Marlow UK S.à.r.l
 Facility Agent: RBS
 Security Agent/Trustee: RBS
 Loan purpose: Refinancing
 Payment dates: 10 January, April, July and October in each year

Debt metrics

£M	Origination	Cut Off Date
Balance Date	Feb-07	Dec-11
Limit	56.8	53.9
Utilisation	56.8	53.9
Number of tranches	2	1
Valuation	72.5	



Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Interest Rate Swaps				
Interest Rate Swaps				
Senior	5.65	53.5	10 Jan-12	Quarterly



Whole Loan Capital Stack as at 31/12/2011 and Covenants as at 10/10/2011³⁷

Tranches	Total Amount (£ms)	Isobel Share (£ms)	LTV	LTV covenant	ICR	ICR covenant	Margin	Maturity	Repayment type
Senior	53.9	53.9	120%	100.0%	111.0%	100.0%	1.15%	9 Feb-12	Scheduled amortisation with full cash sweep

³⁷ This is the last test date for financial covenants prior to 31 December 2011.

Cash Management & Deal Specifics

Contractual Rent Waterfall: The property manager collects all rental income and pays all net rental income into a charged account which is applied in the following order:

Pre-enforcement (also applies to partial payments):

(1) payment of fees, costs and expenses of the agent, the security agent or the arranger; (2) payments due to the hedging bank and any accrued interest, fee or commission; (3) payments as a result of termination under a hedging document and any principal due; (4) payment of any other sum due under the finance documents; (5) payment of any other sum due under the equity bridge finance documents; (6) payment to HM Revenue & Customs of any tax payable on rental income; and (7) any surplus to be applied in prepayment of the loan.

Post-enforcement:

(1) payment of fees, costs, expenses and other liabilities of the instructing security agent (and any receiver, attorney, agent or delegate appointed) and the remuneration of the instructing security agent and its advisers and agents; (2) payment *pari passu* to senior agent towards senior debt; (3) payment to senior agent towards mezzanine debt; (4) payment to equity bridge agent towards equity bridge debt; and (5) any surplus to the obligors or other entitled persons.

Prior Ranking Swaps: See "*Contractual Rent Waterfall*" above.

Intercreditor arrangements: None. The Loan is not syndicated.

Other material clauses: On the date all outstanding loans are repaid or prepaid in full or the termination date, an exit fee of £1 million is payable to the arranger.

Asset Level Borrower and Sponsor

The Asset Level Borrower is a private limited liability company incorporated in Luxembourg which only holds this asset. The Sponsor is Avestus Capital Partners.

Collateral

Brief description: The loan is secured on a large office building (236,000 sq ft) which was refurbished in 2000 and is let to four tenants on seven leases

Location: Marlow, Buckinghamshire

Tenure: Freehold

Use: Office

Total Gross Rent: £4,658,093

Total Net Rent: INA

Occupancy: 100.0 per cent.

Security Package: Typical package including: (1) charge by way of first ranking legal mortgage over the property; (2) fixed charge over shares, plant and machinery, contracts and bank accounts etc; (3) assignment of rental income, insurance policies, hedging arrangements and certain other specified contracts; and (4) a floating charge.

Tenancy Description (of Major Tenants)

Major tenants	Use	Rent (£/annum)	% of rent	NLA (SQFT)	Lease type	Lease Expiry
1. Allergan Ltd	Office	INA	INA	116384	FRI	31/12/2025
2. Dunn & Bradstreet Ltd	Office	INA	INA	79,060	FRI	07/05/2021
3. VWS (UK) Ltd	Office	INA	INA	26,250	FRI	31/05/2021

Loan Performance and Status

The loan matured in February 2012 and was not repaid. As a result, the loan is currently in default. The property is being marketed for sale.

As at 2 July 2012 the total amount outstanding was £53.9m (of which the Isobel share was £53.9m). The reduction in amounts outstanding (as indicated in the table contained in "*Summary of material changes to the principal balance of the Property Loans since the Cut Off Date*") has arisen as a result of contractual amortisation

The Marlow Asset was sold on 27 July 2012, resulting in a prepayment of the Marlow Property Loan in an amount of £48.39m and a resultant partial prepayment of £38.71m of the Senior Loan. Following such prepayment no further amounts are expected to be recovered by the Borrower (being the relevant lender) in respect of the Marlow Property Loan. The residual balance of the Marlow Property Loan following the prepayment is £5.474m.

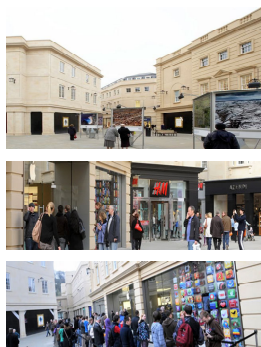
**Loan 14 / Connection ID 12 - Multi-Southgate: £55.1 million loan secured against one shopping centre
(the "Multi-Southgate Property Loan")**

Mortgage Loan Information

Original Lender: RBS
 Asset Level Borrower: Multi Southgate (LP) Limited
 Loan purpose: Acquisition of units in a unit trust and a development facility for the payment of development costs
 Payment dates: 20 January, April, July and October of each year

Debt metrics (Whole Loan)

£M	Origination Oct-06	Cut Off Date Dec-11
Balance Date		
Limit	117.0	110.2
Utilisation	23.9	110.2
Number of tranches	2	2
Valuation	156.0	



Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Interest Rate Swaps				
Senior	5.12	94.5	17 Oct-13	Quarterly
Senior	5.12	22.5	17 Oct-13	Quarterly

Whole Loan Capital Stack (as at the Cut-Off Date)

Tranche	Total Amount (£ms)	Isobel Share (£ms)	LTV	LTV covenant	ICR	ICR covenant	Margin	Maturity	Repayment type
Development Facility	87.7	43.9	N/A	N/A	N/A	N/A	1.25%	31 Dec-2011	Bullet
Land Facility	22.5	11.3	N/A	N/A	N/A	N/A	1.25%	31 Dec-2011	Bullet
Total	110.2	55.1							

Whole Loan Capital Stack (as at 12 June 2012)

Tranche	Total Amount (£ms)	Isobel Share (£ms)	LTV	LTV covenant	ICR	ICR covenant	Margin	Maturity	Repayment type
Liquidity Facility	3.4	0.0	N/A	N/A	N/A	N/A	3.00%	17 Oct-2013	Bullet
Development Facility	87.7	43.9	N/A	N/A	N/A	N/A	1.25%	17 Oct-2013	Bullet
Land Facility	22.5	11.3	N/A	N/A	N/A	N/A	1.25%	17 Oct-2013	Bullet
Total	113.6	55.1							

Cash Management & Deal Specifics

Contractual Rent Waterfall:³⁸ All income derived from the units (other than income deriving from certain residential units – see below) and all other income payable to the Asset Level Borrower including pursuant to any hedging arrangement must be immediately paid into the collection account for application in the following order: (1) fees, costs and expenses of the agent (including all legal costs of the finance parties and costs of the monitoring surveyor); (2) in or towards payment of principal under the Liquidity Facility; (3) *pro rata*: (A) accrued interest and commission payable on the Term Facility (which comprises the Development Facility and the Land Facility); and (B) periodical payments due to any hedging counterparty (not being any amount payable as a result of termination or closing out of all or any part of a hedging arrangement provided that unpaid amounts payable under any hedging and default interest on any termination or close-out amounts are included under this limb); (4) *pro rata*: (A) principal under the Term Facility; and (B) any amounts payable to the hedging counterparty as a result of termination or closing out of all or any part of any hedging arrangement; (5) provided that no event of default is outstanding, in or towards repayments of any shareholder contributions; (6) *pro rata*: (A) payment of the exit fee; and (B) accrued interest on the liquidity facility; (7) any shareholder contributions not covered under limb (5); (8) any surplus to be distributed to the Asset Level Borrower and the lenders as the profit share fee; and (9) any balance is paid into the development account provided that the monitoring surveyor has delivered a certificate to the agent confirming that the payment is within the development appraisal and is documented as a development cost (and provided that no event of default has occurred and is continuing).

Income received by the Asset Level Borrower from the unit trust which is derived from the net disposal proceeds following the sale of certain residential units must be paid into the proceeds account for application in the following order: (1) *pro rata*: (A) accrued fees, interest and commission payable on the Term Facility; and (B) periodical payments due to any hedging counterparty (not being any amount payable as a result of termination or closing out of all or any part of a hedging arrangement provided that unpaid amounts payable under any hedging and default interest on any termination or close-out amounts are included under this limb); (2) prepayment of any principal amounts under the Liquidity Facility; and (3) (at the Asset Level Borrower's election) in or towards other amounts payable under the finance documents. Any amounts in the proceeds account which are not applied in accordance with this waterfall shall be applied in accordance with (1) to (8) of the collection account waterfall above on the exit date (see below) or the date on which the Agent accelerates the loan.

Prior Ranking Swaps: See "*Contractual Rent Waterfall*" above.

Intercreditor arrangements: None (other than as set out in the waterfalls above).

Other material clauses: Interest under the Liquidity Facility is capitalised and paid on the exit date (i.e. when the loans are prepaid in full, the parent (Multi-Southgate (LP) Holdco Limited) sells its shares in the Asset Level Borrower, the Asset Level Borrower sells any units, the unit trust sells its interest in the Southgate Limited Partnership, the Southgate Limited Partnership sells its interest in the Asset Level Property and the repayment date). Asset Level Lenders are entitled to a profit share of 60 per cent. of the Asset Level Borrower's interest in the amounts reaching level (8) in the collection account waterfall above up to £135,000,000, 40 per cent. of the Asset Level Borrower's interest over £135,000,000 and up to £140,000,000 and 25 per cent. of the Asset Level Borrower's interest over £140,000,000. The Asset Level Lenders are also entitled to an exit fee of 2.50 per cent. per annum (accruing from 1 January 2012) on their drawn commitment in respect of the Term Facility which is payable on the exit date. As this is a development loan, certain additional covenants are included regarding the development plan, the development appraisal and the business plan.

The financial covenants are as follows: (1) a minimum amount must be paid into the collection accounts each quarter, being £1,009,000 for the accounting quarters ending on 31 March 2012, 30 June 2012, 30 September 2012, 31 December 2012 and 31 March 2013 and £1,149,700 for the accounting periods ending 30 June 2013 and 30 September 2013; (2) the guarantor must maintain EUR 20,000,000 of available cash within the group (i.e. the guarantor and its subsidiaries); (3) from practical completion the loan to value does not exceed 95 per cent. of the market value of the development (a valuation may only be called after the grant of the headlease); and (4) if the guarantor enters into any loan documents with more onerous covenants, those additional covenants will also apply to this facility.

³⁸ Based upon documentation available as at 12 June 2012.

If the net disposal proceeds from the sale of certain residential units are not upstreamed to the Asset Level Borrower within 3 months, the liquidity facility commitments will be reduced by an amount equal to the relevant net disposal proceeds and if those net disposal proceeds have not been upstreamed within four months, the shareholders (Multi-Southgate (LP) Holdco Limited, Multi-Southgate (GP) Holdco Limited and Multi Development UK Limited) are obliged to pay an amount equal to any shortfall into the proceeds account. These amounts may be repaid to the shareholders once an amount equal to the relevant net disposal proceeds have been upstreamed and paid into the proceeds account.

Asset Level Borrower and Sponsor

The Asset Level Borrower is an SPV established to acquire a 50 per cent. interest in the ownership structure of the shopping centre. The other 50 per cent. stake is held by Aviva. Multi Corporation BV (the ultimate parent company of the Asset Level Borrower) is a developer of inner-city retail space in Europe and is active in 14 countries. It is owned by management and a consortium of financial institutions.

Collateral

Brief description: The collateral is 50% of the JPUT interest in the Southgate Shopping Centre in the city centre of Bath. There is approximately 430,000 sqft of retail space in six blocks with extensive parking.

Location: Bath City Centre

Tenure: Currently leasehold but on completion of remaining works required under the section 106 agreement (expected to complete on or around December 2012), the tenure will be long leasehold.

Use: Multi-let retail

Total Gross Rent: £11,098,825

Total Net Rent: £9,948,825

Occupancy: 54.0 per cent.

Security Package:³⁹ The security package includes: (1) fixed charge over present and future freehold and leasehold property, certain contracts (including the unit purchase agreement, the subscription agreement, any hedging agreement and each contract in respect of any disposal of any charged asset), each of the control accounts, shares, uncalled capital and goodwill; (3) assignment of unit income, net disposal proceeds, all book debts, monies standing to the credit of the control accounts, the benefit of any copyright, all causes of action, all monies payable to it under any hedging arrangement, the benefit of any monies paid or payable to it by way of compensation, endowment, gift and its interest in any VAT recoveries and (4) a floating charge.

There is no security over the property itself. This is because the Asset Level Borrower does not actually own the property. However, security has been granted over the shares in the Asset Level Borrower, over the Asset Level Borrower's units in the Southgate Property Unit Trust, over the Southgate General Partner Limited, Multi Southgate (GP) Limited, Multi Development Southgate Limited (the development manager and the entity which is currently managing the completion of the development although certain obligations have been delegated to a third party asset manager) and Multi Mall Management Southgate Limited (the proposed asset manager) together with an assignment of intercompany loans. There is a guarantee from Multi Corporation B.V. covering payment of development costs and cost overruns, payment of amounts due under the finance documents, other obligations of the Southgate Limited Partnership's obligations under the transaction documents and that practical completion will occur by the date specified in the building agreement. The guarantee is capped at £13,000,000.

³⁹ Based upon documentation available as at 12 June 2012.

Tenancy Description (of Major Tenants)

Major tenants	Use	Rent (£/annum)	% of rent	NLA (SQFT)	Lease type	Lease Expiry
Debenhams	Department Store	1,156,250	11.6%	125,000	FRI	01/09/2035
Boots	Retail	934,700	9.4%	27,926	FRI	24/03/2034
H&M	Retail	779,468	7.8%	20,905	FRI	23/06/2024
New Look	Retail	525,000	5.3%	14,630	FRI	23/06/2019
Topshop	Retail	500,000	5.0%	16,661		24/12/2019

Loan Performance and Status

Following the maturity of the loan in 31 December 2011, the loan was extended until 17 October 2013 and is not defaulted.

As at 2 July 2012 the total amount outstanding under Development Facility was £87.7m (of which the Isobel share was £43.9m) and the total amount outstanding under the Land Facility was £22.5m (of which the Isobel share was £11.3m). The principal amounts outstanding are unchanged from the Cut Off Date.

**Loan 15 / Connection ID 13 - Urban Splash:– £45.9 million loan secured against 35 mixed-use properties
(the "Urban Splash Property Loan")**

Mortgage Loan Information

Original Lender:	NatWest (acting through its agent RBS)
Asset Level Borrower:	Urban Splash Work Limited
Facility Agent:	HSBC Bank plc
Security Agent/Trustee:	HSBC Corporate Trustee Company (UK) Limited
Loan purpose:	Refinancing
Payment dates:	30 January, April, July and October in each year

Debt metrics (Whole Loan)

£M	Origination	Cut Off Date
Balance Date	Jun-08	Dec-11
Limit	125.0	114.8
Utilisation	107.0	114.8
Number of tranches	1	1
Valuation	139.2	



Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Interest Rate Swaps				
Senior	5.63	41.0	31 Jul-18	Quarterly
Senior	5.63	61.5	31 Jul-18	Quarterly



Whole Loan Capital Stack as at 31/12/2001 and Covenants as at 31/10/2011⁴⁰

Tranches	Total Amount (£ms)	Isobel Share (£ms)	Commercial LTV	Commercial LTV covenant	Residential LTV	Residential LTV Covenant	ICR	ICR covenant	Margin	Maturity	Repayment type
Term Loan....	114.8	45.9	67.4%	70.0%	53.0%	55.0%	122.0%	140.0%	1.35%	30 Jul 2013	Bullet
Total	114.8	45.9									

⁴⁰ This is the last test date for financial covenants prior to 31 December 2011.

Cash Management & Deal Specifics

Contractual Rent Waterfall: All net rental income is paid into a charged account and applied in the following order:

Pre-enforcement (also applies to partial payments):

(1) payment of fees, costs and expenses of the agent, the security agent or the arranger or any receiver appointed; (2) payment of amounts due to the hedging bank and any accrued interest, fee or commission; (3) payment of amounts due to the hedging bank as a result of termination and any principal due under the facility agreement; (4) payment of any other sum due under the finance documents; (5) payment of any tax due to HM Revenue & Customs; and (6) any surplus is paid to the Asset Level Borrower (or as the Asset Level Borrower directs).

Post-enforcement:

(1) payment of costs, charges and expenses of the security agent, any creditor and any receiver and remuneration of the receiver; (2) payment of costs, charges and expenses of the security agent and/or any creditor; (3) payment to senior creditors for application towards discharge of the senior debt in full; (4) payment to subordinated creditors *pro rata pari passu* towards discharge of the subordinated debt; and (5) any surplus is paid to the obligors or other entitled persons.

Prior Ranking Swaps: See "*Contractual Rent Waterfall*" above.

Intercreditor arrangements: Bilateral debt has been provided to the Asset Level Borrower and is subordinated to the debt advanced under the facility agreement and the liabilities owed to the senior hedge counterparties under the senior hedging arrangements (senior debt). In addition, the loan has been syndicated but not tranching. Although the Borrower or the relevant WorkoutCo (as applicable) is not, on its own, the majority lender, no majority lender decisions may be taken without the Borrower's or the relevant WorkoutCo's (as applicable) consent

Other material clauses: The interest cover covenant stepped up during the term of the loan

Asset Level Borrower and Sponsor

The Asset Level Borrower is part of the Urban Splash Group (a well-known Manchester based residential and commercial developer and asset manager). The Sponsors are a number of individual investors.

Collateral

Brief description: The portfolio includes residential units, retail units, office units and car parking spaces, it also includes the Fort Dunlop Scheme. The aggregate rent payable in respect of the long leasehold interests is £21,640 per annum

Location: Good secondary locations in regeneration areas of Manchester, Liverpool and Birmingham

Tenure: 15 properties are leasehold and 16 are freehold. 4 are freehold/leasehold.

Use: Residential, office and retail

Total Gross Rent: £10,401,362

Total Net Rent: INA

Occupancy: INA

Security Package: Typical package including: (1) charge by way of first ranking legal mortgage over each property; (2) fixed charge over shares, plant and machinery, book debts and bank accounts, goodwill etc; (3) assignment of insurance policies, hedging arrangements, lease and property management agreements and certain other specified contracts; and (4) a floating charge. In addition, there is a guarantee and indemnity from Urban Splash Group Limited and a declaration of trust over certain collateral warranties in relation to the development of the Fort Dunlop Property – held on trust by

NatWest for the benefit of HSBC Corporate Trustee Company (UK) Limited as security agent for the finance parties.

<u>Major tenants</u>	<u>Use</u>	<u>Gross Rent (£/annum)</u>	<u>% of rent</u>	<u>NAL (SQFT)</u>	<u>Lease type</u>	<u>Lease Expiry</u>
Midland Newspapers Ltd	INA	623,007	6.0%	55,734	Various	24/12/2027
Service Birmingham Ltd	INA	434,918	4.2%	53,477	Various	24/12/2016
Travelodge Hotels Ltd	Hotel	429,810	4.2%	38,976	Various	20/04/2031

Loan Performance and Status

The loan is in default due to a breach of, amongst other things, the interest cover and loan to value covenants.

As at 2 July 2012 the total amount outstanding was £113.6m (of which the Isobel share was £45.5m). The reduction in amounts outstanding has arisen as a result of a disposal of ground rents.

**Loan 16 / Connection ID 14 – Mapeley: £36.1m loan secured against 27 office and industrial properties
(the "Mapeley Property Loan")**

Mortgage Loan Information

Original Lender: RBS
 Asset Level Borrowers: Mapeley Delta Acquisition Co (1) Limited, Mapeley Delta Acquisition Co (2) Limited and Mapeley Delta Acquisition Co (3) Limited
 Facility Agent: RBS
 Security Agent/Trustee: RBS
 Loan purpose: To refinance amounts outstanding under existing financing arrangements taken out in connection with the acquisition of the group's property portfolio
 Payment dates: 20 January, April, July and October in each year

Debt metrics (Whole Loan)

£M	Origination	Cut Off Date
Balance Date	Mar-08	Dec-11
Limit	152.0	142.5
Utilisation	152.0	142.5
Number of tranches	1	1
Valuation	217.2	

Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Interest Rate Swaps				
Senior	4.37	6.3	20 Jan-20	Quarterly
Senior	5.68	89.6	20 Oct-17	Quarterly
Senior	5.68	13.8	20 Oct-17	Quarterly
Senior	4.37	37.9	20 Jan-20	Quarterly

Whole Loan Capital Stack as at 31/12/2011 and Covenants as at 20/10/2011⁴¹

Tranche	Total Amount (£ms)	Isobel Share (£ms)	LTV	LTV covenant	ICR	Historic ICR covenant	Projected ICR covenant	Margin	Maturity	Repayment type
Whole loan	142.5	36.1	95.8	77.0%	111.1%	140.0%	140.0%	1.35 %	20 Apr 2015	Amortisation
Total	142.5	36.1								

Cash Management & Deal Specifics

Contractual Rent Waterfall: Rent is paid to the property manager and held on trust until such amounts are paid into a charged account and applied in payment of the following: (a) costs and expenses of the administrative parties; (b) interest on property protection loans; (c) principal amount of any property protection loans; (d) *pro rata*, periodical payments to the hedging counterparty and interest, fees and other amounts (except principal) payable under the finance documents; (e) ground rent, rates, service charges, insurance premia tax and other outgoings (including maintenance capital expenditure of up to £25,000 per property but excluding other capital expenditure) tenants commissions, leasing incentives and management fees (to the extent not funded under the lease documents (in each case for the following interest period); (f) payments to hedging counterparty arising from the termination of the hedge and payments of principal apportioned so as to prioritise payment of certain hedge termination costs set out in the facility agreement, or, if the loan has been accelerated, *pro rata* payments to hedging counterparty arising from the termination of the hedge and payments of principal (as a cash sweep).

⁴¹ This is the last test date for financial covenants prior to 31 December 2011.

If the facility agent receives a payment insufficient to discharge all the amounts then due and payable, that payment is applied in the following order: (a) fees (including prepayment fees), break costs, costs and expenses of the administrative parties; (b) interest on property protection loans; (c) principal amount of any property protection loans; (d) *pro rata*, periodical payments to the hedging counterparty and interest payable; (e) *pro rata* payments to hedging counterparty arising from the termination of the hedge and payments of principal; (f) *pro rata* any other sum due but unpaid under the finance documents. The facility agent must, if so directed by all the lenders and the counterparties, vary this order of payment.

Prior Ranking Swaps: See "*Contractual Rent Waterfall*" above.

Intercreditor arrangements: None. The loan is syndicated on a *pari-passu* basis.

Other material clauses: In February of each year, ICR to be agreed between the chargors and the majority lenders for each test date falling in that year and is to be based on the most recent business plan plus 10 per cent. headroom. Must be in the range of 105 to 140 per cent. In the absence of any agreement, projected interest cover is to be calculated based on the historic interest cover percentage levels.

Asset Level Borrower and Sponsor

The borrowers are subsidiaries of Mapeley Limited. Fortress floated Mapeley in June 2005 and took the company private in 2009.

Collateral

Brief description: Mixed use portfolio comprising 27 office and industrial properties. Just over a quarter of the rental income is generated by a data centre let to BT.

Location: Secondary locations throughout the UK.

Tenure: Mainly freehold with some leasehold

Use: Office and industrial

Total Gross Rent: £14,209,140

Total Net Rent: £14,107,150

Occupancy: 73.8 per cent.

Security Package: Typical package including: (1) charge by way of first ranking legal mortgage or equivalent Scottish, Jersey or Isle of Man law security interest over each property; (2) assignment or Scottish law assignation (where applicable) of insurance policies, hedging, leases, rental income and other revenues; (3) fixed charge over property, shares, plant, machinery and accounts; (4) Bermudian share security over shares in each borrower and Jersey security over units in unit trust owning Jersey properties; and (5) a floating charge.

Tenancy Description (of Major Tenants)

Major tenants	Use	Rent (£/annum)	% of rent	NLA (SQFT)	Lease type	Lease Expiry
1. British Telecommunications Limited	INA	3,833,000	27.2%	67,511	FRI	06/01/2020 Mix (13/12/2013 and 24/03/2027)
2. Mapeley STEPS Limited	Offices	3,016,197	21.4%	288,806	FRI	24/03/2027
3. Everything Everywhere	Offices	726,625	5.2%	61,742	FRI	18/12/2015
4. Mercer Human Resources	INA	656,000	4.7%	19,633	FRI	06/09/2022
5. Capita Registrars Limited	INA	650,000	4.6%	70,073	FRI	24/03/2012

Loan Performance and Status

The loan was restructured in February 2012 following a financial covenant breach and is now not defaulted.

As at 2 July 2012 the total amount outstanding was £137.1m (of which the Isobel share was £34.7m). The reduction in amounts outstanding has arisen as a result of voluntary prepayment and property disposal.

**Loan 17 / Connection ID 15 – Falcon: £33.3 million loan secured against 18 car auction sites
(the "Falcon Property Loan")**

Mortgage Loan Information

Original Lender:	RBS
Asset Level Borrower:	Falcon Propco Limited
Facility Agent:	RBS
Security Agent/Trustee:	RBS
Loan purpose:	Property acquisition and refinancing
Payment dates:	2 January, April, July and October in each year

Debt metrics

£M	Origination	Cut Off Date
Balance Date	Oct-06	Dec-11
Limit	223.3	216.7
Utilisation	223.3	216.7
Number of tranches	2	2
Valuation	289.0	



Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Interest Rate Swaps				
Senior	5.21	164.7	25 Oct-13	Quarterly
Junior	5.21	52.0	25 Oct-13	Quarterly

Whole Loan Capital Stack as at 31/12/2011 LTV, ICR and DSCR Covenants as at 30/09/2011 and EBITDAR/Rent cover and Debt Yield Covenants as at 14/11/2011⁴²

Tranche	Total Amount (£ms)	Isobel Share (£ms)	LTV	EBITDAR/Rent cover	EBITDAR/Rent cover covenant	Debt Yield	Debt Yield Covenant	ICR	ICR Covenant	DSCR	DSCR covenant	Margin	Maturity	Repayment type
Tranche A.....	164.7	22.9	N/A	2.8	1.50/1.00	33.1	14.5%	187.0%	150%	100.0%	100.0%	1.00%	25 Oct 2013	Amortisation
Tranche B	52.0	10.4	N/A	2.8	1.50/1.00	25.2	11.2%	131.0%	105%	100.0%	100.0%	3.50%	25 Oct 2013	Bullet
Total.....	216.7	33.3												

Cash Management & Deal Specifics

Contractual Rent Waterfall: All net rental income is paid into a charged account which is applied in the following order:

- (1) payment of any amount paid into the rent account which rightly belongs in the deposit account into the deposit account;
- (2) pari passu, payment of any unpaid costs, fees, expenses and default interest due to the finance parties under the tranche A facility and the tranche B facility;
- (3) pari passu, (A) payment to the facility agent in respect of the tranche A facility and the tranche B facility, the amount of accrued interest (other than default interest) and (B) payment of any periodic amount due and payable under the hedging agreements to the hedging counterparty in respect of each facility;
- (4) payment to the facility agent of the amount of principal due and payable in respect of the tranche A facility; and
- (5) payment of any surplus to the general account provided that no default is continuing at that time.

⁴² This is the last test date for the financial covenants prior to 31 December 2011.

Under the intercreditor deed entered into with respect to the Falcon Loan, all proceeds of enforcement of security will be applied in the following order:

(1) payment pro rata of unpaid fees, costs and expenses of the facility agent and the security agent; (2) payment pro rata of (i) any accrued interest, fee or commission unpaid in respect of the Tranche A facility; (ii) any principal due and unpaid in respect of the Tranche A facility; and (iii) the amount of any valid costs and any breakage costs due and unpaid to the hedging counterparty in respect of the Tranche A facility; (3) payment pro rata of: (i) any accrued interest, fee or commission unpaid in respect of the Tranche B facility; (ii) any principal due and unpaid in respect of the Tranche B facility; and (iii) the amount of any valid costs and any breakage costs due and unpaid to the hedging counterparty in respect of the Tranche B facility; (4) payment pro rata of any other sum due and payable under the finance documents; and (5) payment of any surplus to the obligors or other entitled persons.

Prior Ranking Swaps: See "*Contractual Rent Waterfall*" above.

Intercreditor arrangements: The facility consists of two Tranches (A and B). The Asset Level Borrower holds approximately 14 per cent. of Tranche A and approximately 20.0 per cent. of Tranche B. The majority senior lenders have the right to instruct the administrative parties to take enforcement action (subject to a two business day standstill period following non payment). The majority junior lenders may enforce the loan only if the loan has been accelerated or enforced or an event of default has occurred and is continuing after a period of 90 days for non-payment, 120 days for breach of financial covenant or insolvency or 150 days for any other event of default. Unanimous consent of all lenders is required to make material modifications. Otherwise a majority of the aggregate of both tranche A and tranche B lenders make decisions prior to an event of default. After the occurrence of an event of default decisions will be made with the consent of the majority senior lenders.

Other material clauses: On repayment or prepayment of the loan, or on the maturity date (whichever is the earlier), the Asset Level Borrower must pay to the lender an exit fee equal to 1.75 per cent. of the outstanding amount of the loan from time to time calculated on a daily basis from the date of drawdown to the date that the fee is payable.

Asset Level Borrower and Sponsor

The Asset Level Borrower is a private limited company incorporated in England and Wales and is owned (indirectly) by a group of investors (consisting of three funds). The tenant (owned by Clayton, Dubilier and Rice) operates British Car Auctions in the properties.

Collateral

Brief description: 18 car auction sites operated by British Car Auctions. They are let on FRI leases with 20 years remaining

Location: located across the UK

Tenure: 16 of the properties are freehold, one is part freehold and part long leasehold and one is a long leasehold property

Use: Car Auction Sites

Total Gross Rent: £20,158,869

Total Net Rent: £20,158,869

Occupancy: 100.0 per cent.

Security Package: Typical security package including: (1) first ranking charge by way legal mortgage or standard security over each property; (2) fixed charge over present and future freehold and leasehold property, shares, plant, machinery vehicles and other equipment, all monies standing to the credit of the Asset Level Borrower's accounts and the benefit of all consents and agreements; (3) assignment of all rights and title in agreements, all rental income and the benefit of all contracts, agreements, securities and indemnities or other documents; and (4) a floating charge.

Tenancy Description (of Major Tenants)

Major tenants	Use	Rent (£/annum)	% of rent	NLA (SQFT)	Lease type	Lease Expiry
BCA	Retail	20,158,869	100.0%	1,654,686	FRI	23/10/2031

Loan Performance and Status

The loan is not defaulted. As at 2 July 2012 the total amount outstanding under Tranche A was £160.5m (of which the Isobel share was £22.4m) and the total amount outstanding under Tranche B was £52m (of which the Isobel share was £10.4m). The reduction in amounts outstanding has arisen as a result of contractual amortisation.

Loan 18 / Connection ID 16 – Bravo: £26.5 million loan secured against 11 secondary and tertiary office properties (the "Bravo Property Loan")

Mortgage Loan Information

Original Lender: NatWest (acting through its agent RBS)
 Asset Level Borrower: An English limited liability company
 Loan purpose: Refinancing
 Payment dates: The last day of each interest period being 1, 2, 3 or 6 months or such other period as may be agreed between the lender and the Asset Level Borrower (provided that if an interest period exceeds 3 months, the payment date shall be 3 monthly) and on the repayment date.

Debt metrics

£M	Origination	Cut Off Date
Balance Date	Nov-05	Dec-11
Limit	20.0	26.5
Utilisation	17.0	26.5
Number of tranches	2	1
Valuation	27	

Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Interest Rate Swap				
Senior	5.41	16.9	30 Oct-15	Quarterly

Whole Loan Capital Stack as at 31/12/2011, LTV Covenant as at 31/10/2011, Gross ICR Covenant as at 27/10/2011 and Net ICR and ICR Covenants as at 17/11/2011⁴³

Tranche	Total Amount (£ms)	Isobel Share (£ms)	LTV	LTV covenant	Gross ICR	Gross ICR covenant	Net ICR	Net ICR covenant	ICR	ICR covenant	Margin	Maturity	Repayment type
Senior	26.5	26.5	95.2%	90.0%	99.0%	110.0%	61%	100.0%	99%	115.0%	3.75	1 May–2012	Full Cash sweep
Total	26.5	26.5											

Cash Management & Deal Specifics

Contractual Rent Waterfall: The property manager collects rental income and pays net rental income or, following instructions from the lender if an event of default has occurred, gross rental income, into a charged rental income account. Amounts standing to the credit of the rental income account are required to be withdrawn on each interest payment date (and the lender is authorised to make such withdrawal) and applied in the following order: (1) towards principal and interest due and payable; and (2) **provided that** no event of default has occurred, any amount remaining may be withdrawn by the Asset Level Borrower.

If notice is given by the lender instructing gross rental income to be paid into the rental income account following an event of default, amounts standing to the credit of the rental income account may not be withdrawn by the Asset Level Borrower and may instead be applied by the lender in satisfaction of amounts due under the Asset Level Loan Agreement.

Prior Ranking Swaps: The swap ranks *pari passu* with the loan (including a swap for a derivative facility of £100,000).

Intercreditor arrangements: None. The loan has not been syndicated

Other material clauses: None.

⁴³ This is the last test date for the financial covenants prior to 31 December 2011.

Asset Level Borrower and Sponsor

The Asset Level Borrower is a private limited company.

Collateral

Brief description: The portfolio comprises six office, three office and retail and two residential buildings.

Location: Majority in Central London in prime and secondary locations

Tenure: 10 are freehold and one is long leasehold

Use: Mixed use

Total Gross Rent: £2,220,957

Total Net Rent: £2,220,957

Occupancy: INA

Security Package: Largely typical package including (1) charge by way of first ranking legal mortgage over each property; (2) fixed charge over shares, plant and machinery, book debts and bank accounts, goodwill etc; (3) assignment of goodwill and connection of any business in respect of any property; and (4) a floating charge. The security package does not include security by way of assignment in respect of insurance policies, hedging arrangements, lease and property management agreements and other contracts. In addition, there is a guarantee from two individuals under which the guarantors guarantee all liabilities of the borrower to the lender, subject to a maximum amount recoverable of £150,000.

Tenancy Description (of Major Tenants)

Major tenants	Use	Rent (£/annum)	% of rent	NLA (SQFT)	Lease type	Lease Expiry
1. Tenant A	INA	270,176	12.2%	11,925	FRI	23/06/2020
2. Tenant B	INA	158,655	7.1%	9,332	FRI	09/10/2013
3. Tenant C	INA	129,802	5.8%	3,489	FRI	24/12/2015
4. Tenant D	INA	105,000	4.7%	4,918	FRI	24/12/2017
5. Tenant E	INA	88,578	4.0%	4,519	FRI	05/04/2016

Loan Performance and Status

The loan is currently in default due to non-payment of principal at maturity. Seven assets have been sold and the remaining assets are currently being marketed for sale.

As at 2 July 2012 the total amount outstanding was £7.5m (of which the Isobel share was £7.5m). The reduction in amounts outstanding has arisen as a result of property disposals.

Summary Information for Non-Material Loans

This section sets out summaries of each of the Property Loans that are less material than those covered in the section "*Detailed Summaries of Material Loans*" above.

STRUCTADENE (the "Structadene Property Loans")

Loan Number	19 and 20 (Connection ID 17)
Asset Level Borrower	Structadene Limited
Asset Level Borrower domicile	Registered in England and Wales
Sponsor(s)/Guarantors	Sponsor(s): A private individual real estate investor Guarantor(s): First London Group Properties Limited, Searchgrade Limited, Colsan Limited, Witton Property Holdings Limited and Witton Properties Limited
Rank (Senior, Mezzanine, Junior, Other)	Senior
Loan Purpose	Term 1 Loan: Refinancing Term 2 Loan: Refinancing
No. Properties	18
Type of Properties:	Mixed use
Origination Date	Term 1 Loan: 15 April 2004 Term 2 Loan: 18 December 2008
Maturity Date	Term 1 Loan: 31 July 2015 Term 2 Loan: 31 January 2012 (provided in each case that if such date is not a business day, the Maturity Date shall be the next business day in that calendar month (if any) or the preceding business day (if not))
Extension Option(s) *Conditions	Not applicable
Interest Payment Frequency	Term 1 Loan: Three or six month interest periods (or such other period agreed by the lender) as selected by the borrower Term 2 Loan: Three or six month interest periods (or such other period agreed by the lender) as selected by the borrower
Original Loan Balance (£m)	Term 1 Loan: 3.4 Term 2 Loan: 10.1
Cut Off Date Balance (£m)	Term 1 Loan: 26.2 Term 2 Loan: 4.8
Amortisation Type	Term 1 Loan: Amortisation Term 2 Loan: Bullet
Currency	Sterling

Margin	Term 1 Loan – 1.00 per cent. per annum Term 2 Loan – 2.75 per cent. per annum together with an additional 1.00 per cent. per annum payable as an exit fee
Contractual Rent Waterfall	If the Asset Level Borrower maintains a current account with the lender, the lender is entitled to debit from that account interest and other amounts owed by the Asset Level Borrower including unpaid fees and expenses. If the Asset Level Borrower does not maintain a current account with the lender, the Asset Level Borrower is required to make arrangements as the lender may require in respect of payments required under the loan agreements. This may include opening feeder accounts for the purpose of collecting funds for the payment of all sums due under the loan agreements and to which the lender may debit interest and other amounts payable under the loan agreement. All rental income receivable by the group is required to be applied to an account held with the lender. A suitable account is required to be opened for the purpose of depositing rental income if not already maintained.
Cut-Off LTV as at 31/10/11	101.95%
LTV Covenant	80 per cent. maximum
Cut-Off ICR/DSCR as at 31/10/11	132.75 per cent.
ICR/DSCR Covenant	ICR Covenant 120 per cent. minimum DSCR Covenant Not applicable
Other Financial Covenants* ^{Comment}	Consolidated PBIT to Consolidated borrowing costs: 120 per cent. minimum
Mortgage Security	Yes
Loan Performance and Status	The Term 2 Loan is in default due to a non-payment at maturity. The Term 1 Loan is in default due to a cross default and a loan to value covenant breach. As at 2 July 2012 the total amount outstanding under Term 1 Loan was £26.2m (of which the Isobel share was £26.2m) and the total amount outstanding under Term 2 Loan was £0.8m (of which the Isobel share was £0.8m). The reduction in amounts outstanding has arisen as a result of property disposals and contractual amortisation. The Term 2 Loan was fully repaid on 31 August 2012.

Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Interest Rate Swaps				
Senior	4.88	7.0	31 Jan-23	Quarterly
Senior	5.32	1.0	15 Oct-13	Quarterly
Senior	4.84	3.1	10 Aug-15	Quarterly
Senior	4.61	1.5	10 Aug-15	Quarterly

Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Senior	4.91	6.3	31 Jul-17	Quarterly
Senior	4.89	2.0	31 Jul-17	Quarterly

PRIMEPANEL (the "Primepanel Property Loan")

Loan Number	21 (Connection ID 18)
Asset Level Borrower	Primepanel Limited
Asset Level Borrower domicile	Registered in England and Wales
Sponsor(s)/Guarantors	Sponsor(s): Macquarie Group Limited Guarantor(s): Not applicable
Rank (Senior, Mezzanine, Junior, Other)	Senior
Loan Purpose	Refinancing
No. Properties	15
Type of Properties:	Commercial properties (including car parks)
Origination Date	23 August 2004
Maturity Date	7 April 2017
Extension Option(s) *Conditions	Not applicable
Interest Payment Frequency	Quarterly
Original Loan Balance (£m)	72.9
Cut Off Date Balance (£m)	26.2
Amortisation Type	Bullet
Currency	Sterling
Margin	1.00 per cent. per annum (subject to adjustment to 1.30 per cent. per annum if certain conditions are not met)
Contractual Rent Waterfall	Prior to enforcement, all rents and licence fees, debts and any related VAT are immediately upon receipt deposited into a charged income account.

Amounts standing to the credit of the income account shall be applied in the following order: (1) payment or repayment of interest and liabilities and (2) (provided no event of default (actual or potential) has occurred and is continuing) any surplus shall be transferred to the operating account in order for the Asset Level Borrower to satisfy its obligations in respect of net rent and payment of sums due under the head leases.

If the agent receives a payment insufficient to discharge the liabilities at that time due, the agent may apply that payment towards the obligations of the Asset Level Borrower under the finance documents in such order as the agent in its absolute

discretion considers appropriate.

Following enforcement, any property finance proceeds shall be applied in the following order: (1) in accordance with the commercial mortgage documents and fee debenture, and (2) any surplus proceeds of enforcement over the property assets after the discharge of all property liabilities shall, if to the extent the senior liabilities have not been repaid and discharged in full, be paid to the senior security agent for application in accordance with the terms of the intercreditor deed.

Following enforcement, any proceeds of sale of any shares of Trendcycle Limited shall be applied in the following order: (1) payment of fees, costs and expenses of the senior security agent and any receiver, (2) payment of outstanding amounts of the senior debt, (3) payment outstanding amounts of the property liabilities and (4) payment of an amount to a person so person entitled under applicable insolvency legislation in priority to the relevant obligor.

Following enforcement, all other proceeds shall be applied in the following order: (1) payment to the senior security agent for application in accordance with the terms of the intercreditor deed and (2) payment of an amount to any person so entitled under applicable insolvency legislation in priority to the relevant obligor.

Any amounts received or recovered in respect of debt claims against the obligors under the senior facility documents, the hedge documents and the commercial mortgage documents (other than proceeds of any enforcement of security) shall be paid in or towards payment of: (1) payment of *pari passu* of senior debt and unpaid commercial mortgage schedule payment claims and (2) payment of property liabilities other than the unpaid commercial mortgage scheduled payment claims.

If enforcement action has been commenced by the security trustee under the security documents, all monies relating to the charged assets including the proceeds of any enforcement shall be applied in the following order: (1) payment of fees, costs, charges, taxes in relation to any enforcement of the security documents, (2) payment of fees, costs, charges, taxes of the security trustee, (3) payment to the agent for distribution in accordance with the facility agreement, (4) payment to the fee debenture beneficiary for distribution in accordance with the fee debenture and (5) any surplus shall be in payment to any persons so entitled.

Cut-Off LTV as at 31/12/2010	62 per cent.
LTV Covenant	66 per cent. maximum
Cut-Off ICR/DSCR as at 30/09/2011	ICR - 168 per cent.
ICR/DSCR Covenant	ICR Covenant 130 per cent. minimum
	DSCR Covenant Not applicable
Other Financial Covenants* ^{Comment}	Not applicable

Mortgage Security Yes

Loan Performance and Status As at 2 July 2012 the total amount outstanding was £21.1m (of which the Isobel share was £21.1m). The reduction in amounts outstanding has arisen as a result of mandatory prepayments and property disposals.

Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Interest Rate Swaps				
Senior	5.72	26.2	7 Apr-17	Quarterly

BEAUCETTE (the "Beaucette Property Loan")

Loan Number 22 (Connection ID 19)

Asset Level Borrower Beaucette Property Partnership Limited Partnership

Asset Level Borrower domicile Registered in England and Wales

Sponsor(s)/Guarantors Sponsor(s): Cardinal Lysander Connection
 Guarantor(s): Glidemanner Limited, Worldclaim Limited, Zestdata Limited, Eliteshape Limited, Deltatoken Limited and Demigate Limited

Rank (Senior, Mezzanine, Junior, Other) Senior

Loan Purpose Refinancing

No. Properties 1

Type of Properties: Business park, multi-let industrial estate and retail warehouse park

Origination Date 19 December 2003

Maturity Date 26 March 2010 (**provided that** if such date is not a business day, the maturity date shall be the immediately preceding business day)

Extension Option(s) *Conditions Not applicable

Interest Payment Frequency Quarterly

Original Loan Balance (£m) 29.0

Cut Off Date Balance (£m) 5.7

Amortisation Type Bullet

Currency Sterling

Margin 5.00 per cent. per annum

Contractual Rent Waterfall Whilst no default is outstanding a managing agent may collect all rental income and the Asset Level Borrower must procure that such rental income is deposited into a charged rent account not less than five business days prior to each interest payment date. In the event that a default is outstanding (or if there is no managing agent or the managing agent is in default of its obligations) all rental income received and any other amounts relating to interest rate

protection are required to be paid into a charged rent account.

Amounts standing to the credit of the rent account may be withdrawn by the agent to pay ground rent due.

Amounts in the rent account shall be applied in the following order (including if the credit balance of the rent account is insufficient to make all such payments): (1) payment of costs and expenses of the agent and lenders (2) payment to the agent and the lenders *pro rata* of interest, fees and other sums due under the loan (3) payment of amounts due to the hedging bank under any interest rate hedging (4) payment of a certain arrangement fee (5) payment of certain agreed expenses of the Asset Level Borrower (including the managing fee) (6) any surplus shall be applied half as the Asset Level Borrower directs and half in prepayment of the loan.

Cut-Off LTV	Not applicable
LTV Covenant	Not applicable
Cut-Off ICR/DSCR as at 30/06/2011	ICR-121 per cent.
ICR/DSCR Covenant	ICR Covenant 140 per cent. minimum DSCR Covenant Not applicable
Other Financial Covenants* ^{Comment}	Not applicable
Mortgage Security	Yes
Loan Performance and Status	The loan is in default due to a non-payment of principal at maturity. As at 2 July 2012 the total amount outstanding was £5.7m (of which the Isobel share was £5.7m). The principal amounts outstanding are unchanged as of the Cut Off Date. The asset has been placed on the market for sale. Contracts have been exchanged for sale of the remaining property.

Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Interest Rate Swaps				
No hedging in place	Not applicable	Not applicable	Not applicable	Not applicable
PIMLICO (the "Pimlico Property Loan")				
Loan Number	23 (Connection ID 20)			
Asset Level Borrower	Pimlico Acquisition Co Limited			
Asset Level Borrower domicile	Registered in the British Virgin Islands			
Sponsor(s)/Guarantors	Sponsor(s): A Brooks Properties			

	Guarantor(s): Not applicable
Rank (Senior, Mezzanine, Junior, Other)	Stretch Senior
	Mezzanine
Loan Purpose	Refinancing
No. Properties	1
Type of Properties:	Supermarket
Origination Date	9 October 2007 to 21 January 2008
Maturity Date	20 July 2016
Extension Option(s) *Conditions	Not applicable
Interest Payment Frequency	Quarterly
Original Loan Balance (£m)	49.9
Cut Off Date Balance (£m)	Senior – 32.4 (of which the Isobel share is 0)
	Stretch Senior – 7.3
	Mezzanine – 13.2
Amortisation Type	Senior – Full Cash Sweep
	Stretch Senior – Full Cash Sweep
	Mezzanine - Bullet
Currency	Sterling
Margin	Facility A (including the Stretch Senior): 0.90 per cent. per annum on a weighted average basis with 0.90 per cent. per annum applicable to the Stretch Senior
	Facility B (Mezzanine): 0.095 per cent. per annum
Contractual Rent Waterfall	Each Asset Level Obligor must ensure that all net rental income and all amounts payable under any hedge document are promptly deposited into a charged receipts account.
	Pursuant to the main Property Loan Intercreditor Agreement relating to this Property Loan, prior to any enforcement action which has occurred and is continuing, amounts standing to the credit of the receipts account shall be applied in the following order: (1) payment of fees, costs and expenses of the arranger, the agent and the security trustee, (2) payment <i>pari passu</i> of fees, costs and expenses of any facility A creditor, (3) payment <i>pro rata</i> of interest on any property protection loan, (4) repayment <i>pro rata</i> of any property protection loan, (5) payment <i>pari passu</i> of any periodic payment to a facility A hedge counterparty (other than in respect of any excess hedge period, any subordinated hedge amount or any excess facility A debt), any accrued interest in respect of the facility A debt (excluding interest in respect of property protection loans, any excess senior debt and any facility A loan referred to in item (11) below) and, any other amount due to a securitisation lender, (6) payment <i>pari passu</i> of principal in respect

of the facility A debt (other than any excess senior debt or any facility A loan referred to in item (11) below) and any hedge termination payment due to a facility A hedge counterparty (other than in respect of any excess hedge period, any subordinated hedge amount and any excess facility A debt, (7) (only on an interest payment date) prepayment of the facility A loan and payment of related prepayment costs, (8) payment *pari passu* and *pro rata* any other amount due to a facility A creditor (other than certain excess amounts which are paid as set below), (9) payment *pari passu* and *pro rata* of certain fees, costs and expenses of any facility B creditor, (10) payment *pari passu* of any periodic payment to a facility B hedge counterparty (other than in respect of certain amounts set out below) and any accrued interest in respect of the facility B debt, (11) payment *pro rata* of accrued interest in respect of the facility A loan to which a facility B creditor has subrogated by virtue of making a cure payment, (12) payment *pari passu* of principal in respect of the facility B debt and certain hedge termination payments due to a facility B hedge counterparty, (13) (only on an interest payment date) prepayment of the facility B loan and payment of related prepayment costs, (14) payment of any profit share fee payable to the facility B creditors, (15) payment *pari passu* of any other amount due to a facility B creditor, (16) payment *pari passu* and *pro rata* of any amount in respect of any excess hedge period or any subordinated hedge amount due to a facility A hedge counterparty, (17) payment *pari passu* and *pro rata* of any amount in respect of any subordinated hedge amount due to a facility B hedge counterparty, (18) payment *pro rata* of accrued interest in respect of any excess senior debt due to a facility A creditor and of any excess facility A debt, (19) any surplus shall be applied in payment of any future RBS debt and any amount of facility B debt to which a future RBS creditor has been subrogated by a cure payment.

Pursuant to the main Property Loan Intercreditor Agreement in respect of this Property Loan, the proceeds of any enforcement action must be paid to the security trustee and applied in the following order: (1) payment of rent or others sums under the lease, (2) payment of fees, costs and expenses of any receiver, (3) payment of fees, costs and expenses of the security trustee, (4) payment of fees, costs and expenses of the agent, (5) payment of fees, costs and expenses of any other facility A creditor (including special servicing costs), (6) payment of accrued interest on any property protection loan, (7) repayment of any property protection loan, (8) payment *pari passu* of any periodic payment to a facility A hedge counterparty (other than in respect of certain amounts set out below), any accrued interest in respect of the facility A debt and, any other amount due to a securitisation lender, (9) payment *pari passu* of principal in respect of the facility A debt and any hedge termination payment due to a facility A hedge counterparty (in each case, other than in respect of excess facility A debt, excess hedge period or any subordinated hedge amount), (10) payment of any other amount due to a facility A creditor (other than any excess facility A debt, in respect of any excess hedge period, any subordinated hedge amount or any amount referred to in (11) below), (11) payment of principal and accrued interest in respect of the facility A loan to which a facility B creditor has subrogated by virtue of making a cure payment, (12) payment *pari passu* of fees, costs and expenses of any facility B creditor, (13) payment *pari passu* of any periodic payment to a facility B hedge counterparty (other than in respect of any subordinated hedge amount) and any

accrued interest in respect of the facility B debt (other than any amount referred to in (20) below), (14) payment of principal in respect of the facility B debt (other than any amount referred to in (20) below) and certain hedge termination payments due to a facility B hedge counterparty (other than any subordinated hedge amount), (15) payment of any profit share fee payable to the facility B creditors, (16) payment of any other amount due to a facility B creditor, (17) payment of any amount in respect of any excess hedge period or any subordinated hedge amount due to a facility A hedge counterparty, (18) payment of any amount in respect of any subordinated hedge amount due to a facility B hedge counterparty, (19) payment of accrued interest in respect of any excess facility A debt due to a facility A creditor and then of any excess facility A debt, (20) any surplus shall be applied in payment of any future RBS debt and any amount of facility B debt to which a future RBS creditor has been subrogated by making a cure payment.

If a material default has occurred and is outstanding the security trustee shall pay all amounts received by it (or standing to the credit of a charged account) in respect of the junior debt, directly into the escrow account. Amounts standing to the credit of the escrow account shall be applied against the junior debt in accordance with the pre-enforcement action waterfall set out above if certain conditions are satisfied. If enforcement action is taken within a certain period, such amounts shall be applied in accordance with the post-enforcement action waterfall set out above.

If amounts received are insufficient to discharge the amounts due and payable, amounts in the receipts account shall be applied in accordance with the pre and post-enforcement action waterfalls set out above.

The ranking of payments as between the facility A lenders and the facility A hedge counterparties is further regulated by a further intercreditor agreement as follows:

Prior to any enforcement action which has occurred and is continuing, amounts standing to the credit of the receipts account which are paid or payable to the facility A lenders and the facility A hedge counterparties shall be applied in the following order:

- (1) payment of fees, costs and expenses of the agent, the security trustee, the facility A (Senior) lenders and each hedge counterparty,
- (2) payment *pro rata* of interest on any property protection loan,
- (3) repayment *pro rata* of any property protection loan,
- (4) payment *pari passu* of any periodic payment to a facility A hedge counterparty in respect of the Senior portion of facility A and any accrued interest in respect of the facility A (Senior) debt (in each case, other than in respect of certain excess or subordinated amounts set out below),
- (5) payment *pari passu* of principal in respect of the facility A (Senior) debt and any hedge termination payment due to a facility A hedge counterparty in respect of the hedging relating to the Senior portion of facility A (in each case, other than in respect of certain excess or subordinated amounts set out below),
- (6) (only on an interest payment date) prepayment of the facility A (Senior) loan and payment of related prepayment costs,
- (7) payment *pari passu* and *pro rata* any other amount due to the agent, the security trustee, the facility A (Senior) lenders and each hedge counterparty (other than

certain excess amounts), (8) payment *pari passu* and *pro rata* of costs and expenses of any facility A (Stretch Senior) lender, (9) payment *pari passu* of any periodic payment to a facility A hedge counterparty in respect of the Stretch Senior portion of facility A (other than in respect of certain subordinated amounts set out below) and any accrued interest in respect of the facility A (Stretch Senior) debt, (10) payment *pro rata* of accrued interest in respect of the facility A (Senior) loan to which a facility A (Stretch Senior) lender has subrogated by virtue of a cure payment, (11) payment *pari passu* of principal in respect of the facility A (Stretch Senior) debt and certain hedge termination payments due to a facility A hedge counterparty in respect of the Stretch Senior portion of facility A (other than in respect of certain subordinated amounts set out below), (12) (only on an interest payment date) prepayment of the facility A (Stretch Senior) loan and payment of related prepayment costs, (13) payment *pari passu* of any other amount due to a facility A (Stretch Senior) lender, (14) payment *pari passu* and *pro rata* of any amount in respect of any excess hedge period or any subordinated hedge amount due to a facility A hedge counterparty in respect of the Senior proportion of facility A, (15) payment *pari passu* and *pro rata* of any amount in respect of any excess hedge period or any subordinated hedge amount due to a facility A hedge counterparty in respect of the Stretch Senior proportion of facility A, (16) payment *pro rata* of accrued interest in respect of any excess facility A (Senior) debt due to a facility A creditor and of any excess facility A (Senior) debt.

The proceeds of any enforcement action must be applied in the following order (as between the facility A creditors):

(1) payment of rent or others sums under the lease, (2) payment of fees, costs and expenses of any receiver, (3) payment of fees, costs and expenses of the security trustee, (4) payment of fees, costs and expenses of the agent, (5) payment of fees, costs and expenses of any facility A (Senior) lender or any hedge counterparty, (6) payment of accrued interest on any property protection loan, (7) repayment of any property protection loan, (8) payment *pari passu* of any periodic payment to a facility A hedge counterparty in respect of the Senior portion of facility A and any accrued interest in respect of the facility A (Senior) debt (in each case, other than in respect of certain excess or subordinated amounts set out below), (9) payment *pari passu* of principal in respect of the facility A (Senior) debt and any hedge termination payment due to a facility A hedge counterparty in respect of the hedging relating to the Senior portion of facility A (in each case, other than in respect of certain excess or subordinated amounts set out below), (10) payment of any other amount due to a facility A creditor (other than any amount in respect of an excess hedge period, any excess facility A (Senior) debt, any amount referred to in item (11) below and subordinated hedge amounts), (11) payment of principal and accrued interest in respect of the facility A (Senior) debt to which a facility A (Stretch Senior) lender has been subrogated by virtue of a cure payment, (12) payment *pari passu* of fees, costs and expenses of any facility A (Stretch Senior) lender, (13) payment *pari passu* of any periodic payment to a facility A hedge counterparty in respect of the Stretch Senior portion of facility A (other than any subordinated hedge amount) and any accrued interest in respect of the facility A (Stretch Senior) debt, (14) payment of principal in respect of the facility A (Stretch Senior) debt and certain hedge termination payments due to a facility A

hedge counterparty in respect of the Stretch Senior portion of facility A (other than any subordinated hedge amount), (15) payment of any other amount due to a facility A (Stretch Senior) lender, (16) payment of any amount in respect of any excess hedge period or any subordinated hedge amount due to a facility A hedge counterparty in respect of the Senior portion of facility A, (17) payment of any amount in respect of any excess hedge period or any subordinated hedge amount due to a facility A hedge counterparty in respect of the Stretch Senior portion of facility A, (18) payment of accrued interest in respect of any excess senior debt due to a facility A (Senior) creditor and of any excess facility A (Senior) debt.

Cut-Off LTV as at 20/10/2011	Facility A (Senior and Stretch Senior): 77.4 per cent. Facility B: 103.3 per cent.
LTV Covenant	Facility A (Senior and Stretch Senior): 77.5 per cent. maximum Facility B: 105 per cent. maximum (based on the amount of Facility A plus Facility B)
Cut-Off ICR/DSCR as at 20/10/2011	Facility A ICR (Senior and Stretch Senior): 93.53 per cent. Facility B ICR: Not applicable
ICR/DSCR Covenant	ICR Covenant Facility A (Senior and Stretch Senior): 92 per cent. minimum Facility B: Not applicable DSCR Covenant Not applicable
Other Financial Covenants* ^{Comment}	Not applicable
Mortgage Security	Yes
Loan Performance and Status	As at 2 July 2012 the total amount outstanding under the Senior tranche was £32.4m (of which the Isobel share was £0), the total amount outstanding under the Stretch Senior tranche was £7.3m (of which the Isobel share was £7.3m) and the total amount outstanding under the Mezzanine tranche was £13.6m (of which the Isobel share was £13.6m). The increase in amounts outstanding was as a result of an additional £0.4m having been utilised under the Mezzanine tranche.

Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Interest Rate Swaps				

Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Stretch Senior.....	4.85	39.6	20 Jul-27	Quarterly
Mezzanine.....	5.91	13.2	20 Jul-16	Quarterly

BARRACUDA (the "Barracuda Property Loan")

Loan Number	24 (Connection ID 21)
Asset Level Borrower	Barracuda Propco 2 Limited
Asset Level Borrower domicile	Registered in England and Wales
Sponsor(s)/Guarantor	Sponsor(s): Barracuda 2009 Limited Guarantor(s): Barracuda Propco 1 Limited, Barracuda Propco 2 Limited, Barracuda Propco 3 Limited and Barracuda Propco 4 Limited
Rank (Senior, Mezzanine, Junior, Other)	Senior
Loan Purpose	Acquisition and on-lending
No. Properties	71
Type of Properties:	Pubs
Origination Date	29 July 2005
Maturity Date	28 July 2013 (provided that if such date is not a business day, the Maturity Date shall be the next business day in that calendar month (if any) or the preceding business day (if not))
Extension Option(s) *Conditions	Not applicable
Interest Payment Frequency	Quarterly
Original Loan Balance (£m)	109.6
Cut Off Date Balance	99.2 (of which the Isobel share is 18.6)
Amortisation Type	Cashsweep and bullet
Currency	Sterling
Margin	1.00 per cent. per annum
Contractual Rent Waterfall	All rental income and hedge proceeds received by the Asset Level Borrower and Barracuda Propco 4 Limited are required to be paid into a charged rent account.

Amounts in the rent account shall be applied in the following order: (1) payment of costs, fees and expenses of the senior agent, security trustee and senior arranger (2) payment of ground rent (3) if no event of default is continuing, payment of certain service charge amounts to the general account (4) payment *pro rata* of interest and fees due under the finance documents (5) payment *pro rata* of principal due under the finance documents (6) payment *pro rata* of other sums due under the finance documents (7) payment (i) prior to an event of default continuing, to the relevant general

account (subject to conditions as to use) (8) after an event of default is continuing, of the senior loans.

If amounts received for application against the senior debt are insufficient to discharge the due obligations such amounts received for application against senior debt shall be applied in the following order: (1) payment of costs, fees and expenses of the senior agent and the security trustee (2) payment *pro rata* of interest, fees and commission due under the finance documents (3) payment *pro rata* of principal due under the finance documents (4) payment *pro rata* of other sums due under the finance documents

The proceeds of enforcement are to be applied in the following order: (1) payment of costs, fees and expenses or remuneration of the security trustee, its agents and advisors or any receiver (2) unpaid costs and expenses of the senior finance parties in connection with enforcement (3) *pro rata* senior liabilities (up to £100,000,000 plus interest, costs and expenses) and senior hedging liabilities (4) unpaid costs and expenses of certain loan note holders in connection with enforcement (5) payment of certain unpaid loan note debt (6) payment *pro rata* of opco debt (7) payment of senior debt not covered by (3) above (8) any surplus to the persons entitled.

Cut-Off LTV Not applicable

LTV Covenant Not applicable

Cut-Off ICR/DSCR Not applicable

ICR/DSCR Covenant **ICR Covenant**

Not applicable

DSCR Covenant

100 per cent. minimum

Other Financial Covenants*^{Comment} Not applicable

Mortgage Security Yes

Loan Performance and Status The receipt of rental income and payment of finance costs in respect of the quarter ending on 29 September 2011 were both deferred. On 29 March 2012 £845,484.40 of accrued interest was paid. As at 2 July 2012, £91,354.10 of accrued interest remained outstanding.

As at 2 July 2012 the total amount outstanding was £99.2m (of which the Isobel share was £18.6m). The principal amounts outstanding are unchanged as of the Cut Off Date.

A fixed charge receiver was appointed on 27 September. A standstill letter was also issued on the same day.

Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Interest Rate Swaps				
Senior	4.95	100.0	30 Dec-13	Quarterly

KINGSWOOD (the "Kingswood Property Loan")

Loan Number	25 (Connection ID 22)
Asset Level Borrower	Epic 2007 No. 1 Single Property Commercial Real Estate Company Limited
Asset Level Borrower domicile	Registered in Jersey
Sponsor(s)/Guarantors	Sponsor(s): JW Gutteridge and RBS Guarantor(s): Not applicable
Rank (Senior, Mezzanine, Junior, Other)	Mezzanine
Loan Purpose	Acquisition and payment of fees, costs and expenses
No. Properties	1
Type of Properties	Offices
Origination Date	30 May 2007
Maturity Date	20 January 2016
Extension Option(s) *Conditions	Not applicable
Interest Payment Frequency	Quarterly
Original Loan Balance (£m)	16.7
Cut Off Date Balance (£m)	Senior – 50.0 (of which the Isobel share is 0) Mezzanine - 16.7
Amortisation Type	One Repayment Instalment followed by Bullet.
Currency	Sterling
Margin	0.796774 per cent. per annum
Contractual Rent Waterfall	The Asset Level Borrower is required to maintain a transaction account and a general account Prior to acceleration or the enforcement of security (either constituting " Enforcement Action "), amounts in the transaction account shall be applied in the following order: (1) payment of fees due and payable to the trustees of the Kingswood Unit Trust (2) payment of costs, fees and expenses due to the agent or the security trustee (3) payment of an amount approved by the agent for corporate, legal and administrative costs and expenses of the borrower into the general account (4) payment of certain costs of the borrower or the seller in relation to certain transaction documents (5) payment <i>pari passu</i> of amounts due to the hedge counterparty (other than certain amounts relating to the default or rating downgrade of the hedge counterparty) and interest in respect of the loan (other than interest on property protection loans not made by a securitisation lender) (6) payment of the loan to the extent due (other than property protection loans not made by a securitisation lender) (7) payment of interest in respect of property protection loans (8) payment of property protection loans to the

extent due (9) payment of any other amount due to the finance parties (other than certain amounts relating to the default or rating downgrade of the hedge counterparty) (10) payment of certain amounts relating to the default or rating downgrade of the hedge counterparty (11) subject to the satisfaction of certain criteria (including no event of default, sufficient projected funds and limitations on purpose of funds), payment into the general account.

Following Enforcement Action amounts in the transaction account shall be applied in the following order: (1) payment of unpaid fees, costs and expenses of any receiver or receiver and manager appointed by the security trustee (2) payment of unpaid costs, fees and expenses of the security trustees (3) the other secured obligations applying prior to Enforcement Action (as set out above)

The intercreditor agreement modifies the order of priorities as between the finance parties to apply as follows:

Prior to certain enforcement action, amounts in the transaction account shall be applied in the following order: (1) payment of fees due and payable to the trustees of the Kingswood Unit Trust (2) payment of costs, fees and expenses due to the agent or the security trustee (3) payment of fees, costs and expenses of the agent, security trustee, senior lenders or hedge counterparty (to the extent relating to senior hedge) (4) payment of an amount approved by the agent for corporate, legal and administrative costs and expenses of the borrower into the general account (5) payment of certain costs of the borrower or the seller in relation to certain transaction documents (6) payment of interest on property protection loans (7) repayment of property protection loans (8) payment *pari passu* of amounts due to the hedge counterparty under the senior hedge (other than certain amounts relating to the default or rating downgrade of the hedge counterparty) and interest in respect of the senior loan (other than interest on property protection loans) (9) payment of the senior loan to the extent due (other than property protection loans) (10) payment *pari passu* of amounts due to the hedge counterparty under junior hedge (other than certain amounts relating to the default or rating downgrade of the hedge counterparty) and interest in respect of the junior loan (11) payment of other amounts due to the junior lenders and any hedge counterparty in respect of a junior hedge (other than excess senior debt, certain amounts relating to the default or rating downgrade of the hedge counterparty and amounts referred to in (12) to follow) (12) payment of interest on portions of the senior loan to which the junior lender has been subrogated by virtue of making a cure payment (13) payment of fees, costs and expenses of any junior lenders and any hedge counterparty in respect of a junior hedge (14) payment of the junior loan to the extent due (15) payment of other amounts to the junior lenders and any hedge counterparty in respect of a junior hedge (other than certain amounts relating to the default or rating downgrade of the hedge counterparty) (16) payment of certain amounts due in respect of the senior hedge relating to the default or rating downgrade of the hedge counterparty (17) payment of certain amounts due in respect of the junior hedge relating to the default or rating downgrade of the hedge counterparty (18) subject to the satisfaction of certain criteria (including no event of default, sufficient projected funds and limitations on purpose of funds), payment into the general account.

Following certain enforcement, the above intercreditor order of priority is modified so that (a) fees, costs and expenses of any receiver rank immediately after the fees of the trustees of the Kingswood Unit Trust (b) fees, costs and expenses of the agent rank immediately after those of the security trustee (c) all amounts payable to the senior lenders and hedge counterparty in respect of the senior hedge rank ahead of all amounts payable to the junior lenders and hedge counterparty in respect of the junior hedge (other than certain amounts relating to the default or rating downgrade of the hedge counterparty in respect of the senior hedge which only rank ahead of certain amounts relating to the default or rating downgrade of the hedge counterparty in respect of the junior hedge).

Following certain material defaults, amounts payable in respect of the Junior loan may be escrowed pending application against the junior debt or all of the debt (depending upon the satisfaction of certain conditions).

Cut-Off LTV Not applicable

LTV Covenant Not applicable

Cut-Off ICR/DSCR as at 20/10/2011 ICR - 107 per cent.

ICR/DSCR Covenant **ICR Covenant**

100 per cent. minimum

DSCR Covenant

Not applicable

Other Financial Covenants*^{Comment} N/A

Mortgage Security Yes

Loan Performance and Status As at 2 July 2012 the total amount outstanding under the Senior tranche was £50m (of which the Isobel share was £0) and the total amount outstanding under the Mezzanine tranche was £16.7m (of which the Isobel share was £16.7m). The principal amounts outstanding are unchanged from as at the Cut Off Date.

Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Interest Rate Swaps				
Senior and Mezzanine.....	5.15	66.7	20 Jan-16	Quarterly

CRAIGHURST (the "Craighurst Property Loan")

Loan Number 26 (Connection ID 23)

Asset Level Borrower Craighurst Investments Limited

Asset Level Borrower domicile Registered in the British Virgin Islands

Sponsor(s)/Guarantors Sponsor(s): R20 Limited/A private individual real estate investor

Guarantor(s): Nadia Properties Limited and Leconfield Holdings

	Limited
Rank (Senior, Mezzanine, Junior, Other)	Tranche A and Tranche B
Loan Purpose	Acquisition, Refinancing and Rent top-up
No. Properties	1
Type of Properties	Office
Origination Date	15 June 2007
Maturity Date	15 June 2022
Extension Option(s) *Conditions	Not applicable
Interest Payment Frequency	Quarterly
Original Loan Balance (£m)	83.5
Cut Off Date Balance (£m)	Tranche A: 71.6 (of which the Isobel share is 14.4) Tranche B: 10.0 (of which the Isobel share is 2.0)
Amortisation Type	Tranche A: Full cash sweep Tranche B: Bullet
Currency	Sterling
Margin	Tranche A Loan: 0.75 per cent. per annum Tranche B Loan: 2.10 per cent. per annum
Contractual Rent Waterfall	<p>All net rental income (or post-default all rental income) and any amounts payable to an Asset Level Obligor under any hedging arrangements are required to be paid into a charged rent account. Tenant contributions to service charge, insurance premia, sinking funds and VAT are deducted from such rent account.</p> <p>Prior to acceleration or the enforcement of security (either constituting "Enforcement Action") and if such amounts are sufficient to cover all amounts due, amounts in the rent account shall be applied in the following order: (1) payment of unpaid costs and expenses of the finance parties due but unpaid (2) payment <i>pro rata</i> to the hedging bank of amounts due under the hedging arrangements and to the agent for accrued interest and fees due under the finance documents (3) prepayment of the tranche A loan.</p> <p>The proceeds of enforcement of security or if such amounts are insufficient to cover all amounts due, amounts in the rent account shall be applied in the following order: (1) payment <i>pro rata</i> of fees and expenses of the agent and security trustee (2) payment <i>pro rata</i> of interest due on the tranche A loan and periodic amounts due under the tranche A hedging arrangements (3) payment <i>pro rata</i> of principal due and payable in respect of the tranche A loan and any termination sum due and payable in respect of the tranche A hedging (4) payment <i>pro rata</i> of interest due on the tranche B loan and periodic amounts due under the tranche B hedging arrangements (5) payment <i>pro rata</i> of principal due and payable in respect of the tranche B loan and any termination sum due and payable in respect of the tranche B hedging (6) payment to the</p>

	Asset Level Borrower or such other person entitled thereto, or such other order as the creditors may agree.
Cut-Off LTV as at 18/07/2011	Tranche A: 82.00 per cent. Tranche B: 82.00 per cent.
LTV Covenant	82.5 per cent. maximum
Cut-Off ICR/DSCR as at 18/07/2011	ICR - 112.05 per cent.
ICR/DSCR Covenant	ICR covenant 100 per cent. minimum DSCR covenant Not applicable
Other Financial Covenants	Not applicable
Mortgage Security	Yes
Loan Performance and Status	As at 2 July 2012 the total amount outstanding under Tranche A was £71.4m (of which the Isobel share was £14.3m) and the total amount outstanding under Tranche B was £10m (of which the Isobel share was £2m). The reduction in amounts outstanding has arisen as a result of contractual amortisation.

Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Interest Rate Swaps				
Tranche A.....	4.75	72.3	20 Jul-37	Quarterly
Tranche B.....	4.75	10.0	20 Jul-37	Quarterly

CHARLIE (the "Charlie Property Loan")

Loan Number	27 (Connection ID 24)
Asset Level Borrower	An English limited liability company
Asset Level Borrower domicile	Registered in England and Wales
Sponsor(s)/Guarantors	Sponsor(s): A Guernsey limited liability company Guarantor(s): A Guernsey limited liability company
Rank (Senior, Mezzanine, Junior, Other)	Senior and Mezzanine
Loan Purpose	Refinancing and general corporate purposes.
No. Properties	1
Type of Properties	Hotel
Origination Date	26 January 2004
Maturity Date	23 January 2019 (provided that if such date is not a business day, the maturity date shall be the next business day in that calendar

	month (if any) or the preceding business day (if not))
Extension Option(s) *Conditions	Not applicable
Interest Payment Frequency	Quarterly
Original Loan Balance (£m)	14.8
Cut Off Date Balance (£m)	Senior (Tranche A): 11.3 Mezzanine (Tranche B): 2.3
Amortisation Type	Scheduled
Currency	Sterling
Margin	Tranche A Loan: 1.30 per cent. per annum Tranche B Loan: 2.65 per cent. per annum
Contractual Rent Waterfall	All rental income received and all other amounts received by the Asset Level Borrower (including sales proceeds and break gains) are required to be paid into a charged rent account. All amounts credited to the rent account representing sales proceeds are required to be withdrawn by the lender and applied in prepayment/repayment of the loan. Amounts in the rent account shall be applied in the following order: (1) payment of costs and fees of the lender (2) payment <i>pro rata</i> of interest due to the lender on the loan and periodic amounts due to the hedge counterparty under the hedging arrangements (3) payment <i>pro rata</i> of principal due and payable in respect of the loan and any termination sum due and payable in respect of the hedging (4) payment of any other amount due from the borrower to the lender under the finance documents (5) payment of any amount due to any other person which the lender is authorised to pay under the finance documents (6) if all amounts under the finance documents have been paid in full and no default is continuing, to the borrower's current account.
Cut-Off LTV as at 17/10/2011	Sum of Tranche A Loan and the Tranche C Loan 74.0% Sum of Tranche A Loan + Tranche B Loan + Tranche C Loan 88.9%
LTV Covenant	Sum of the Tranche A Loan and the Tranche C Loan: 75 per cent. Tranche A Loan + Tranche B Loan + Tranche C Loan 90 per cent.
Cut-Off ICR/DSCR as at 17/10/2011	DSCR – 114.2%
ICR/DSCR Covenant	ICR covenant

Not applicable

DSCR covenant

100 per cent. minimum

(NB. The DSCR excludes 10 per cent. of interest payable in relation to Tranche B for the period ending on the second anniversary of the loan.)

Other Financial Covenants

LTV based upon vacant possession value:

Sum of the Tranche A Loan and the Tranche C Loan:

The Drawdown Date ("**DD**") until the date falling prior to the second anniversary of the DD: 49 per cent. maximum

The second anniversary of the DD until the Maturity Date: 51 per cent.

Tranche A Loan + Tranche B Loan + Tranche C Loan

The Drawdown Date ("**DD**") until the date falling prior to the second anniversary of the DD: 57.5 per cent. maximum

The second anniversary of the DD until the Maturity Date: 60 per cent. maximum

Mortgage Security

Yes

Loan Performance and Status

As at 2 July 2012 the total amount outstanding under Tranche A was £11.2m (of which the Isobel share was £11.2m) and the total amount outstanding under Tranche B was £2.3m (of which the Isobel share was £2.3m). The reduction in amounts outstanding has arisen as a result of contractual amortisation.

Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Interest Rate Swaps				
Senior	5.13	12.5	28 Jan-19	Quarterly
Mezzanine	5.13	2.4	28 Jan-19	Quarterly

RIVLIN ABP (the "Rivlin ABP Property Loan")

Loan Number 28 (Connection ID 25)

Asset Level Borrower ABP 169 Bond Street Limited, ABP 171 Bond Street Limited, ABP 172 Bond Street Limited, ABP 173 Bond Street Limited, Brooks Surrey Limited and Steel House Properties Limited⁴⁴

Asset Level Borrower domicile Ireland

Sponsor(s)/Guarantors Sponsor(s): A Brooks Properties

Guarantors: Rivlin Holdings Limited, 206 Westbourne Grove Limited, ABP 171 Bond Street Limited, ABP 172 Bond Street Limited, ABP 173 Bond Street Limited, Brooks Surrey Limited and Steel House Properties Limited

⁴⁴ These companies became unlimited companies on 2 September 2008.

Rank (Senior, Mezzanine, Junior, Other)	Facility B
Loan Purpose	Refinancing
No. Properties	4
Type of Properties	Retail and office
Origination Date	24 November 2006
Maturity Date	20 October 2016
Extension Option(s) *Conditions	Not applicable
Interest Payment Frequency	Quarterly
Original Loan Balance (£m)	80.3
Cut Off Date Balance (£m)	Facility A – 44.2 (of which the Isobel share is 0) Facility B – 9.7
Amortisation Type	Bullet
Currency	Sterling
Margin	Facility A Loan: 0.56 per cent. per annum Facility B Loan: 2.20 per cent. per annum
Contractual Rent Waterfall	<p>The management agreement (and therefore the cash management provisions contained in the management agreement) has not been made available to us.</p> <p>Rental income net of service charge proceeds, VAT and ground rent is required to be paid into the rent account.</p> <p>Amounts in the rent account shall be paid (pre-enforcement) in the following order: (1) payment of costs and expenses of the arranger, agent and security trustee (2) payment of costs and expenses due but unpaid to any Facility A creditor (3) repayment of any hedge loan including interest (4) payment <i>pro rata</i> of sums due but unpaid to the Facility A hedge counterparty and interest on the Facility A debt (5) payment of principal due but unpaid in respect of the Facility A debt (6) payment of any other amounts due but unpaid to any Facility A creditor (7) payment of costs and expenses due but unpaid to any Facility B creditor (8) payment <i>pro rata</i> of sums due but unpaid to the Facility B hedge counterparty, sums due but unpaid to the Facility A hedge counterparty in respect of the excess hedge period and interest on the Facility B debt (9) payment <i>pro rata</i> of termination or closing out amounts in respect of the Facility A excess hedge period and principal due but unpaid in respect of the Facility B debt (10) payment of any other amounts due but unpaid to any Facility B creditor (11) payment of termination or closing out amounts in respect of a Facility A event of default or rating termination event affecting a Facility A counterparty (12) payment of termination or closing out amounts in respect of a Facility B event of default or rating termination event affecting a Facility B counterparty (13) payment of any amounts due but unpaid to any Facility A creditor in respect of any excess Facility A debt (14) mandatory repayment of the loans and related prepayment</p>

costs (15) the balance to any future RBS representative for application in satisfaction of any future RBS debt.

If the proceeds of any enforcement or realisation of the security constituted under the finance documents are insufficient to discharge the secured obligations in full, the security trustee must apply the available sums in the following order:

Pre-enforcement: (1) in payment *pari passu* and *pro rata* of any unpaid fees, costs and expenses of the arranger, the agent or the security trustee due but unpaid under the finance documents (2) excess Facility A debt, to the agent for application (i) in or towards payment *pari passu* and *pro rata* of any fees, costs (including, without limitation, break costs) and expenses due but unpaid to any Facility A creditor (ii) in or towards repayment of any hedge loan and any interest thereon (iii) in or towards payment *pari passu* and *pro rata* of (A) any payments due but unpaid to a Facility A hedge counterparty under the hedge documents in respect of Facility A and (B) any accrued interest due but unpaid in respect of the Facility A debt (iv) in or towards payment *pari passu* of any principal amount due but unpaid in respect of the Facility A debt (v) in or towards payment *pari passu* and *pro rata* of any other amount then due but unpaid to any Facility A creditor (vi) in or towards payment *pari passu* and *pro rata* of any fees, costs (including, without limitation, break costs) and expenses due but unpaid to any Facility B creditor (vii) in or towards payment *pari passu* and *pro rata* of (A) any payments due but unpaid to a Facility B hedge counterparty under the hedge documents in respect of Facility B (B) any payments due but unpaid to a Facility A hedge counterparty under the hedge documents for Facility A in respect of the excess hedge period and (C) any accrued interest due but unpaid in respect of the Facility B debt (viii) in or towards payment *pari passu* and *pro rata* of (A) any payments due but unpaid to a Facility A hedge counterparty as a result of termination or closing out under the hedge documents in respect of Facility A in respect of the excess hedge period and (B) any principal amount due but unpaid in respect of the Facility B debt (ix) in or towards payment *pari passu* and *pro rata* of any other amount then due but unpaid to any Facility B creditor (x) in or towards payment *pari passu* and *pro rata* of any amount due but unpaid to a Facility A creditor as a result of termination or closing out arising from (A) an event of default relating to a Facility A hedge counterparty under the hedge documents and (B) a rating termination event affecting a Facility A hedge counterparty (xi) in or towards payment *pari passu* and *pro rata* of any amount due but unpaid to a Facility B creditor as a result of termination or closing out arising from (A) an event of default relating to a Facility B hedge counterparty under the hedge documents (B) a rating termination event affecting a Facility B hedge counterparty and (xii) in or towards payment *pari passu* and *pro rata* of any amount due to a Facility A creditor in respect of any excess Facility A debt (3) as to the balance then remaining following all prior applications, to the agent for application *pari passu* towards payment of the loans and related prepayment costs in accordance with the mandatory repayment provisions of the facility agreement and (4) as to the balance then remaining following all prior applications, payment to any future RBS representative for application in satisfaction of any future RBS debt.

Post-enforcement: (1) in or towards payment *pari passu* and *pro rata* of any unpaid fees, costs, expenses of each of the arranger, the agent or the security trustee and any receiver, attorney or agent

appointed under any security document (2) in or towards payment *pari passu* and *pro rata* of any fees, costs, (including, without limitation, break costs) expenses and other amounts due but unpaid to a Facility A creditor (3) in or towards repayment *pari passu* and *pro rata* of any hedge loan and any interest thereon (4) in or towards payment *pari passu* and *pro rata* of (i) any payments due but unpaid to a Facility A hedge counterparty under the hedge documents in respect of Facility A (ii) any accrued interest due but unpaid in respect of the Facility A debt (5) in or towards payment *pari passu* of any principal amount due but unpaid in respect of the Facility A debt (6) in or towards payment *pari passu* of any other amount then due but unpaid to any Facility A creditor (7) in or towards payment *pari passu* and *pro rata* of any fees, costs (including, without limitation, break costs) and expenses due but unpaid to any Facility B creditor (8) in or towards payment *pari passu* and *pro rata* of (i) any payments due but unpaid to a Facility B hedge counterparty under the hedge documents in respect of Facility B (ii) any payments due but unpaid to a Facility A hedge counterparty under the hedge documents for Facility A in respect of the excess hedge period and (iii) any accrued interest due but unpaid in respect of the Facility B debt (9) in or towards payment *pari passu* and *pro rata* of (i) any payments due but unpaid to a Facility A hedge counterparty as a result of termination or closing out under the hedge documents in respect of Facility A in respect of the excess hedge period and (ii) any principal amount due but unpaid in respect of the Facility B debt (10) in or towards any other amount then due but unpaid to any Facility B creditor (11) in or towards payment *pari passu* and *pro rata* of payments due as a result of termination or closing out arising from (i) an event of default relating to a Facility A hedge counterparty under the hedge documents and (ii) a rating termination event affecting a Facility A hedge counterparty (12) in or towards payment *pari passu* and *pro rata* of any payments due as a result of termination or closing out arising from (i) an event of default relating to a Facility B hedge counterparty under the hedge documents and (ii) a rating termination event affecting a Facility B hedge counterparty (13) in or towards payment *pari passu* and *pro rata* of any amount due to a Facility A creditor in respect of any excess Facility A debt and (14) as to the balance remaining following all prior applications, on such balance to future RBS representative for application in satisfaction of any future RBS debt.

Cut-Off LTV as at 20/10/2011	74.57 per cent.
LTV Covenant	Facility A Loan: 71 per cent. maximum Facility B Loan: 85 per cent. maximum
Cut-Off ICR/DSCR as at 20/10/2011	ICR - 114 per cent.
ICR/DSCR Covenant	ICR Covenant Facility A Loan: 110 per cent. minimum Facility B Loan: 100 per cent. minimum DSCR Covenant Not applicable

Other Financial Covenants* ^{Comment}	Not applicable
Mortgage Security	Yes
Loan Performance and Status	As at 2 July 2012 the total amount outstanding under Facility A was £36.2m (of which the Isobel share was £0) and the total amount outstanding under Facility B was £7.9m (of which the Isobel share was £7.9m). The reduction in amounts outstanding has arisen as a result of property disposals and contractual amortisation.

Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Interest Rate Swaps				
Facility A.....	4.40	20.9	20 Oct-26	Quarterly
Facility B.....	4.40	5.5	20 Oct-26	Quarterly

DELTA (the "Delta Property Loan")

Loan Number	29 (Connection ID 26)
Asset Level Borrower	A Guernsey limited liability company.
Asset Level Borrower domicile	Registered in Guernsey
Sponsor(s)/Guarantors	Sponsor(s): A limited liability company. Guarantor(s): A Guernsey limited liability company.
Rank (Senior, Mezzanine, Junior, Other)	Senior and Junior
Loan Purpose	Acquisition and funding debt service account
No. Properties	1
Type of Properties	Hotel
Origination Date	5 October 2006
Maturity Date	6 October 2021
Extension Option(s) * ^{Conditions}	Not applicable
Interest Payment Frequency	Quarterly
Original Loan Balance (£m)	11.0
Cut Off Date Balance (£m)	Senior: 9.4 Junior: 1.5
Amortisation Type	Scheduled
Currency	Sterling
Margin	Senior Loan: 1.30 per cent. per annum Junior Loan: 2.50 per cent. per annum
Contractual Rent Waterfall	Subject to the operation of any management agreement between the borrower and the managing agent of the property, all rental income received and all other amounts received by the Asset Level

Borrower (including sales proceeds and break gains) are required to be paid into a charged collection account.

Amounts in the collection account shall be applied in the following order: (1) payment of fees, costs and expenses of the facility agent and the security agent (2) payment *pro rata* of interest due to the lender on the senior loan and periodic amounts due to the hedge counterparty under the senior hedging arrangements (3) payment *pro rata* of principal due and payable in respect of the senior loan and any termination sum due and payable in respect of the senior hedging (4) payment *pro rata* of any other amount due from the borrower to the senior lender or in respect of the senior hedging under the finance documents (5) payment *pro rata* of interest due to the lender on the junior loan and periodic amounts due to the hedge counterparty under the junior hedging arrangements (6) payment *pro rata* of principal due and payable in respect of the junior loan and any termination sum due and payable in respect of the junior hedging (7) payment *pro rata* of any other amount due from the borrower to the junior lender or in respect of the junior hedging under the finance documents (8) provided no default is continuing, to top up the debt service account to a certain limit (9) provided no default is continuing, to the Asset Level Borrower 50 per cent. of the benefit of certain rental increases and (10) any surplus in prepayment of the loans.

Cut-Off LTV as at 10/10/2011	Senior LTV 31.31 per cent. Senior and Junior LTV 36.07 per cent.
LTV Covenant	Senior LTV 47 per cent. maximum Senior and Junior LTV 53 per cent. maximum
Cut-Off ICR/DSCR as at 10/10/2011	Senior ICR 129.39 per cent. Total ICR 109.13 per cent. DSCR 100.18 per cent.
ICR/DSCR Covenant	Senior ICR Covenant 125 per cent. minimum Total ICR Covenant 105 per cent. minimum

DSCR Covenant

100 per cent. minimum

Other Financial Covenants*^{Comment}

Not applicable

Mortgage Security

Yes

Loan Performance and Status

As at 2 July 2012 the total amount outstanding under the Senior tranche was £9.3m and the total amount outstanding under the Junior tranche was £1.4m. The reduction in amounts outstanding has arisen as a result of contractual amortisation.

Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Interest Rate Swaps				
Senior	4.92	9.4	6 Oct-21	Quarterly
Junior.....	4.92	1.5	6 Oct-21	Quarterly

CASPAR (the "Caspar Property Loan")

Loan Number	30 (Connection ID 27)
Asset Level Borrower	Epic (Caspar) PLC
Asset Level Borrower domicile	England and Wales
Sponsor(s)/Guarantors	Sponsor(s): Phoenix Group Holdings Guarantors: none
Rank (Senior, Mezzanine, Junior, Other)	Mezzanine
Loan Purpose	Refinancing and redemption of loan notes
No. Properties	26
Type of Properties	Office, industrial and retail
Origination Date	27 August 2004
Maturity Date	29 October 2012
Extension Option(s) *Conditions	Not applicable
Interest Payment Frequency	Quarterly
Original Loan Balance (£m)	593.7
Cut Off Date Balance (£m)	Senior – 208.6 (of which the Isobel share is 0) Stretch Senior – 5.3 (of which the Isobel share is 2.7)
Amortisation Type	Bullet
Currency	Sterling
Margin	1.50 per cent. per annum
Contractual Rent Waterfall	The transaction cash manager pursuant to the transaction cash management agreement must credit the transaction processing account with the transaction expenses required amount, the issuer UPA required amount, any SPUT capital amounts from the SPUT main account, any amounts transferred from the UPA senior security account, any amount transferred from the UPA mezzanine security account and interest accruing on amounts credited to the transaction processing account. The transaction cash manager may withdraw property manager expenses from the transaction processing account as directed by the property manager. The transaction cash manager pursuant to the transaction cash management agreement must credit the issuer transaction account

with any transaction available funds from the transaction processing account, any amounts transferred by the liquidity facility provider, any amounts transferred from the liquidity standby account, any amounts transferred by the note interest rate swap provider, any amounts transferred by the mezzanine interest rate swap provider, the JPUT mezzanine security payment amounts, any issuer subordinated loan advanced to the borrower, any amount transferred from the UPA mezzanine security account and interest accruing on amounts credited to the issuer transaction account.

The transaction cash manager may withdraw any JPUT loan required to be advanced by the borrower to the senior JPUT trustee from the issuer transaction account.

If amounts received by the mezzanine agent are insufficient to discharge the amounts then due and payable such amounts shall be applied in the following order (pre-enforcement): (1) payment of amounts due to issuer trustee (2) payment *pro rata* of amounts due and payable to the agent bank, each note paying agent, the transaction cash manager, the issuer loan servicer, the issuer account bank and the IL corporate services providers (3) payment *pro rata* of amounts due and payable (now or in the following interest period) to any third party creditors of the borrower approved in writing by the issuer trustee and of corporation tax payable by the borrower (4) payment of amounts due and payable to the note interest rate swap provider (5) payment of amounts due and payable to the liquidity facility provider (6) payment of amounts due on the Class A notes (7) payment of amounts due on the Class B notes (8) payment of amounts due on the Class C notes (9) payment of amounts due on the Class D notes (10) payment of an amount up to the Class A target amortisation amount in respect of the Class A notes and all other principal payable in respect of such notes (11) payment of an amount up to the Class B target amortisation amount in respect of the Class B notes and all other principal payable in respect of such notes (12) payment of an amount up to the Class C target amortisation amount in respect of the Class C notes and all other principal payable in respect of such notes (13) payment of an amount up to the Class D target amortisation amount in respect of the Class D notes and all other principal payable in respect of such notes (14) payment of liquidity facility subordinated amounts (15) payment of costs and expenses of the mezzanine agent (16) payment *pro rata* of amounts due and payable to the mezzanine interest rate swap provider (excluding termination payments) and amounts due and payable in respect of the issuer mezzanine loan (excluding principal) (17) payment *pro rata* of all scheduled amounts of principal (if any) in respect of the issuer mezzanine loan and all amounts due and payable to the mezzanine interest rate swap provider as a result of termination of the swap (18) payment of amounts due and payable in respect of the issuer working capital loan (excluding principal) (19) repayment of the outstanding issuer working capital loan (20) payment of amounts due and payable in respect of any issuer cure loan (excluding principal) (21) payment of scheduled amounts of principal (if any) in respect of any issuer cure loan (22) payment of any note interest rate swap subordinated amounts due and payable to the note interest rate swap provider (23) transfer of an amount equal to any swap termination fee to the UPA secondary account and (24) the surplus to the borrower or any other person entitled to the surplus.

Post-enforcement: the transaction cash manager will, on behalf of the issuer trustee, apply any issuer available funds in accordance

with the terms of the issuer security intercreditor deed and the following order of priority: (1) *pro rata* and *pari passu*, in payment of amounts due and payable to the issuer trustee (or any receiver appointed on its behalf) in accordance with and pursuant to the terms of the transaction documents (2) *pro rata* and *pari passu*, in payment of amounts (a) due and payable to the agent bank, in accordance with and pursuant to the terms of the agency agreement (b) due and payable to each note paying agent, in accordance with and pursuant to the terms of the agency agreement (c) due and payable to the transaction cash manager, in accordance with and pursuant to the terms of the transaction cash management agreement (d) due and payable to the issuer loan servicer, in accordance with and pursuant to the terms of the issuer servicing agreement (e) due and payable to the issuer account bank, in accordance with and pursuant to the terms of the issuer account bank agreement and (f) due and payable to the IL corporate services providers, in accordance with and pursuant to the terms of the IL corporate services agreements (3) in payment of amounts due and payable to the note interest rate swap provider in accordance with and pursuant to the terms of the note interest rate swap agreement (except for any note interest rate swap subordinated amount) (4) in payment of amounts due and payable to the liquidity facility provider in accordance with and pursuant to the terms of the liquidity facility agreement (except for any liquidity facility subordinated amounts) (5) in or towards payment of (a) any amounts due or overdue and payable (other than in respect of principal) on the Class A notes and (b) after payment of all such amounts, all amounts of principal outstanding on the Class A notes until all of the Class A notes have been redeemed in full (6) in or towards payment of (a) any amounts due or overdue and payable (other than in respect of principal) on the Class B notes and (b) after payment of all such amounts, all amounts of principal outstanding on the Class B notes until all of the Class B notes have been redeemed in full (7) in or towards payment of (a) any amounts due or overdue and payable (other than in respect of principal) on the Class C notes and (b) after payment of all such amounts, all amounts of principal outstanding on the Class C notes until all of the Class C notes have been redeemed in full (8) in or towards payment of (a) any amounts due or overdue and payable (other than in respect of principal) on the Class D notes and (b) after payment of all such amounts, all amounts of principal outstanding on the Class D notes until all of the Class D notes have been redeemed in full (9) in payment of any liquidity facility subordinated amounts due and payable to the liquidity facility provider in accordance with and pursuant to the terms of the liquidity facility agreement (10) in payment of all costs, expenses, fees and other amounts then due and payable to the mezzanine agent pursuant to the terms of the issuer mezzanine facility agreement (11) in or towards payment of (a) *pro rata* and *pari passu* (i) any amounts due and payable to the mezzanine interest rate swap provider in accordance with and pursuant to the terms of the mezzanine interest rate swap agreement (except for any payment due and payable to the mezzanine interest rate swap provider as a result of the termination of all or any part of mezzanine interest rate swap agreement) and (ii) any amounts due or overdue and payable (other than in respect of principal) on or in respect of the issuer mezzanine loan and (b) after payment of all such amounts, *pro rata* and *pari passu* (i) all amounts of principal outstanding on the issuer mezzanine loan until the issuer mezzanine loan has been repaid in full and (ii) to pay all amounts due and payable to the mezzanine interest rate swap provider as a result of the termination of all or any

part of the mezzanine interest rate swap agreement (12) in or towards payment of (a) any amounts due or overdue and payable (other than in respect of principal) on or in respect of the issuer working capital loan and (b) after payment of all such amounts, all amounts of principal outstanding on the issuer working capital loan until the issuer working capital loan has been repaid in full (13) in and toward payment of (a) any amounts due or overdue and payable (other than in respect of principal) on or in respect of any issuer cure loan and (b) after payment of all such amounts, all amounts of principal outstanding on any issuer cure loan until all issuer cure loans have been repaid in full (14) in payment of any note interest rate swap subordinated amounts due and payable to the note interest rate swap provider in accordance with and pursuant to the terms of the note interest rate swap agreement (15) to transfer an amount equal to any swap termination fee to the UPA secondary account and (16) to pay any amount remaining to the Asset Level Borrower.

Cut-Off LTV	Not applicable
LTV Covenant	Not applicable
Cut-Off ICR/DSCR	Not applicable
ICR/DSCR Covenant	Not applicable
Other Financial Covenants* ^{Comment}	Not applicable
Mortgage Security	No
Loan Performance and Status	As at 2 July 2012 the total amount outstanding under the Senior tranche was £171.5m (of which the Isobel share was £0) and the total amount outstanding under the Stretch Senior tranche was £1.5m (of which the Isobel share was £0.8m). The reduction in amounts outstanding has arisen as a result of property disposals.

Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Interest Rate Swaps				
Senior	5.80	208.6	30 Oct-12	Quarterly
Stretch Senior.....	5.79	5.3	30 Oct-12	Quarterly

ECHO (the "Echo Property Loan")

Loan Number	31 (Connection ID 28)
Asset Level Borrower	A limited liability company incorporated in the British Virgin Islands
Asset Level Borrower domicile	Registered in British Virgin Islands
Sponsor(s)/Guarantor	Sponsor(s): A limited liability company incorporated in Guernsey Guarantor(s): A limited liability company incorporated in the British Virgin Islands
Rank (Senior, Mezzanine, Junior, Other)	Senior
Loan Purpose	Refinancing and general corporate purposes.

No. Properties	1
Type of Properties	Hotel
Origination Date	8 February 2002
Maturity Date	16 May 2027
Extension Option(s) *Conditions	Not applicable
Interest Payment Frequency	Quarterly
Original Loan Balance (£m)	6.0
Cut Off Date Balance (£m)	5.9
Amortisation Type	Scheduled
Currency	Sterling
Margin	1.30 per cent. per annum
Contractual Rent Waterfall	<p>All rental income received and all other amounts received by an obligor (including sales proceeds and break gains) are required to be paid into a charged rent account</p> <p>All amounts credited to the rent account representing sales proceeds are required to be withdrawn by the lender and applied in prepayment/repayment of the loan</p> <p>The Asset Level Borrower is permitted to make withdrawals from the rent account for application against ground rent</p> <p>Otherwise, amounts in the rent account shall be applied in the following order: (1) payment of costs and fees of the lender (2) payment <i>pro rata</i> of interest due to the lender on the loan and periodic amounts due to the hedge counterparty under the hedging arrangements (3) payment <i>pro rata</i> of principal due and payable in respect of the loan and any termination sum due and payable in respect of the hedging (4) payment of any other amount due from the Asset Level Borrower to the lender under the finance documents (5) payment of any amount due to any other person which the lender is authorised to pay under the finance documents (6) if all amounts under the finance documents have been paid in full and no default is continuing, the Asset Level Borrower may withdraw the surplus</p>
Cut-Off LTV as at 17/10/2011	35.38 per cent.
LTV Covenant	60 per cent. maximum
Cut-Off ICR/DSCR as at 17/10/2011	DSCR – 116.06 per cent.
ICR/DSCR Covenant	<p>ICR covenant</p> <p>Not applicable</p> <p>DSCR Covenant</p> <p>100 per cent. minimum</p>
Other Financial Covenants *Comment	N/A

Mortgage Security	Yes
Loan Performance and Status	As at 2 July 2012 the total amount outstanding was £5.8m (of which the Isobel share was £5.8m). The reduction in amounts outstanding has arisen as a result of contractual amortisation.

Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Interest Rate Swaps				
Senior	5.54	5.9	17 May-27	Quarterly

RIVLIN (the "Rivlin Property Loan")

Loan Number	32 (Connection ID 29)
Asset Level Borrower	Rivlin Holdings Limited and 206 Westbourne Grove Limited
Asset Level Borrower domicile	British Virgin Islands and Isle of Man
Sponsor(s)/Guarantors	Sponsor(s): A Brooks Properties Guarantors: 206 Westbourne Grove Limited and a private individual
Rank (Senior, Mezzanine, Junior, Other)	Facility B
Loan Purpose	Refinancing
No. Properties	5
Type of Properties	Retail, residential and office
Origination Date	24 November 2006
Maturity Date	20 October 2016
Extension Option(s) *Conditions	Not applicable
Interest Payment Frequency	Quarterly
Original Loan Balance (£m)	28.9
Cut Off Date Balance (£m)	Senior (Facility A) – 20.9 (of which the Isobel share is 0) Stretch Senior (Facility B) – 5.5
Amortisation Type	Bullet
Currency	Sterling
Margin	Facility A Loan: 0.60 per cent. per annum Facility B Loan: 2.50 per cent. per annum (to be reduced to 2.20 per cent. per annum in respect of each interest period following delivery to the agent of the first compliance certificate to show that the Facility B Actual ICR Ratio is not less than 105 per cent.)

Contractual Rent Waterfall

All net rental income is paid into a charged account which, under the terms of the intercreditor deed entered into with respect to the Rivlin Property Loan, is applied in the following order prior to the enforcement of any security: (1) in payment pari passu and pro rata of any unpaid fees, costs and expenses of the arranger, the agent or the security trustee due but unpaid under the finance documents (2) excess Facility A debt, to the agent for application (i) in or towards payment pari passu and pro rata of any fees, costs (including, without limitation, break costs) and expenses due but unpaid to any Facility A creditor (ii) in or towards repayment of any hedge loan and any interest thereon (iii) in or towards payment pari passu and pro rata of (A) any payments due but unpaid to a Facility A hedge counterparty under the hedge documents in respect of Facility A and (B) any accrued interest due but unpaid in respect of the Facility A debt (iv) in or towards payment pari passu of any principal amount due but unpaid in respect of the Facility A debt (v) in or towards payment pari passu and pro rata of any other amount then due but unpaid to any Facility A creditor (vi) in or towards payment pari passu and pro rata of any fees, costs (including, without limitation, break costs) and expenses due but unpaid to any Facility B creditor (vii) in or towards payment pari passu and pro rata of (A) any payments due but unpaid to a Facility B hedge counterparty under the hedge documents in respect of Facility B (B) any payments due but unpaid to a Facility A hedge counterparty under the hedge documents for Facility A in respect of the excess hedge period and (C) any accrued interest due but unpaid in respect of the Facility B debt (viii) in or towards payment pari passu and pro rata of (A) any payments due but unpaid to a Facility A hedge counterparty as a result of termination or closing out under the hedge documents in respect of Facility A in respect of the excess hedge period and (B) any principal amount due but unpaid in respect of the Facility B debt (ix) in or towards payment pari passu and pro rata of any other amount then due but unpaid to any Facility B creditor (x) in or towards payment pari passu and pro rata of any amount due but unpaid to a Facility A creditor as a result of termination or closing out arising from (A) an event of default relating to a Facility A hedge counterparty under the hedge documents and (B) a rating termination event affecting a Facility A hedge counterparty (xi) in or towards payment pari passu and pro rata of any amount due but unpaid to a Facility B creditor as a result of termination or closing out arising from (A) an event of default relating to a Facility B hedge counterparty under the hedge documents (B) a rating termination event affecting a Facility B hedge counterparty and (xii) in or towards payment pari passu and pro rata of any amount due to a Facility A creditor in respect of any excess Facility A debt (3) as to the balance then remaining following all prior applications, to the agent for application pari passu towards payment of the loans and related prepayment costs in accordance with the mandatory repayment provisions of the facility agreement and (4) as to the balance then remaining following all prior applications, payment to any future RBS representative for application in satisfaction of any future RBS debt.

Under the terms of the intercreditor deed, the proceeds of enforcement of the security must be paid to the security trustee and applied by the security trustee in the following order (but taking no account (except for the purposes of paragraph (13) below) of excess facility A debt): (1) in or towards payment pari passu and pro rata of any unpaid fees, costs, expenses of each of the arranger, the agent or the security trustee and any receiver, attorney or agent appointed

under any security document (2) in or towards payment pari passu and pro rata of any fees, costs, (including, without limitation, break costs) expenses and other amounts due but unpaid to a Facility A creditor (3) in or towards repayment pari passu and pro rata of any hedge loan and any interest thereon (4) in or towards payment pari passu and pro rata of (i) any payments due but unpaid to a Facility A hedge counterparty under the hedge documents in respect of Facility A (ii) any accrued interest due but unpaid in respect of the Facility A debt (5) in or towards payment pari passu of any principal amount due but unpaid in respect of the Facility A debt (6) in or towards payment pari passu of any other amount then due but unpaid to any Facility A creditor (7) in or towards payment pari passu and pro rata of any fees, costs (including, without limitation, break costs) and expenses due but unpaid to any Facility B creditor (8) in or towards payment pari passu and pro rata of (i) any payments due but unpaid to a Facility B hedge counterparty under the hedge documents in respect of Facility B (ii) any payments due but unpaid to a Facility A hedge counterparty under the hedge documents for Facility A in respect of the excess hedge period and (iii) any accrued interest due but unpaid in respect of the Facility B debt (9) in or towards payment pari passu and pro rata of (i) any payments due but unpaid to a Facility A hedge counterparty as a result of termination or closing out under the hedge documents in respect of Facility A in respect of the excess hedge period and (ii) any principal amount due but unpaid in respect of the Facility B debt (10) in or towards any other amount then due but unpaid to any Facility B creditor (11) in or towards payment pari passu and pro rata of payments due as a result of termination or closing out arising from (i) an event of default relating to a Facility A hedge counterparty under the hedge documents and (ii) a rating termination event affecting a Facility A hedge counterparty (12) in or towards payment pari passu and pro rata of any payments due as a result of termination or closing out arising from (i) an event of default relating to a Facility B hedge counterparty under the hedge documents and (ii) a rating termination event affecting a Facility B hedge counterparty (13) in or towards payment pari passu and pro rata of any amount due to a Facility A creditor in respect of any excess Facility A debt and (14) as to the balance remaining following all prior applications, on such balance to future RBS representative for application in satisfaction of any future RBS debt.

If the proceeds of any enforcement or realisation of the security constituted under the finance documents are insufficient to discharge the secured obligations in full, the security trustee shall apply the available sums in satisfaction of the secured obligations in the relevant order set out above (as the case may be).

Cut-Off LTV as at 20/10/2011	83.23 per cent.
LTV Covenant	Facility A Loan: 71 per cent. maximum Facility B Loan: 85 per cent. maximum
Cut-Off ICR/DSCR as at 20/10/2011	93 per cent.
ICR/DSCR Covenant	ICR Covenant Facility A Loan: 110 per cent. minimum

Facility B Loan:	100 per cent. minimum
Other Financial Covenants* ^{Comment}	Not applicable
Mortgage Security	Yes
Loan Performance and Status	As at 2 July 2012 the total amount outstanding under the Senior tranche was £20.9m (of which the Isobel share was £0) and the total amount outstanding under the Stretch Senior tranche was £5.5m (of which the Isobel share was £5.5m). The principal amounts outstanding are unchanged as of the Cut Off Date.

Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Interest Rate Swaps				
Facility A.....	4.40	44.2	20 Oct-26	Quarterly
Facility B.....	4.40	9.7	20 Oct-26	Quarterly

TRUSTEES OF SUGAR MILL EXECUTIVE PENSION FUND (the "Trustees of the Sugar Mill Property Loan")

Loan Number	33 (Connection ID 30)
Asset Level Borrowers	Union Pension Trustees Limited and two private individuals as trustees of the Sugar Mill Executive Pension Fund
Asset Level Borrower domicile	Union Pension Trustees Limited: Registered in England and Wales Other: England and Wales
Sponsor(s)/Guarantor	Sponsor(s): London & Westcountry Estates Guarantor(s): Not applicable
Rank (Senior, Mezzanine, Junior, Other)	Senior
Loan Purpose	Property acquisition
No. Properties	2
Type of Properties:	Industrial estates
Origination Date	12 June 2002
Maturity Date	21 July 2017 (provided that , if such date is not a business day the maturity date shall be extended to the next business day)
Extension Option(s) * ^{Conditions}	Not applicable
Interest Payment Frequency	Quarterly
Original Loan Balance (£m)	0.6
Cut Off Date Balance (£m)	0.5
Amortisation Type	Scheduled
Currency	Sterling
Margin	0.90 per cent. per annum

Contractual Rent Waterfall	All rental income received in respect of the properties is required to be applied to an account held with the lender. The lender is entitled to debit any amounts owing under the loan agreement to a current account maintained by the Asset Level Borrower.
Cut-Off LTV as at 26/06/2008	50 per cent.
LTV Covenant	60 per cent. maximum
Cut-Off ICR/DSCR	ICR - 210 per cent.
ICR/DSCR Covenant	ICR covenant 200 per cent. minimum DSCR covenant Not applicable
Other Financial Covenants	Not applicable
Mortgage Security	Yes
Loan Performance and Status	As at 2 July 2012 the total amount outstanding was £0.5m (of which the Isobel share was £0.5m). The reduction in amounts outstanding has arisen as a result of contractual amortisation.

Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Interest Rate Swaps				
No hedging in place	Not applicable	Not applicable	Not applicable	Not applicable

RED PROPERTY (the "Red Property Loan")

Loan Number	34 (Connection ID 3)
Asset Level Borrower	An English limited liability company
Asset Level Borrower domicile	Registered in England and Wales
Sponsor(s)/Guarantors	Sponsors): A private individual real estate investor Guarantor(s): A private individual real estate investor
Rank (Senior, Mezzanine, Junior, Other)	Senior
Loan Purpose	Acquisition of properties
No. Properties	1
Type of Properties	Mixed use
Origination Date	12 July 2004
Maturity Date	12 July 2024
Extension Option(s) *Conditions	Not applicable
Interest Payment Frequency	Quarterly

Original Loan Balance (£m)	8.5
Cut Off Date Balance (£m)	7.5
Amortisation Type	Cash sweep
Currency	Sterling
Margin	1.00 per cent. per annum
Contractual Rent Waterfall	<p>The Asset Level Borrower is required to ensure that all rental income is applied to an account with the lender or, if the Asset Level Borrower does not have such account, a collection account opened for the purpose of depositing rental income.</p> <p>If the Asset Level Borrower maintains a current account with the lender, the lender is entitled to debit interest and other amounts owed by the Asset Level Borrower including unpaid fees and expenses from that account.</p> <p>If the Asset Level Borrower does not maintain a current account with the lender, the Asset Level Borrower is required to make arrangements as the lender may require in respect of payments required under the Asset Level Loan Agreement. This may include opening feeder accounts for the purpose of collecting funds for the payment of all sums due under the Asset Level Loan Agreement.</p>
Cut-Off LTV	INA
LTV Covenant	85 per cent. maximum
Cut-Off ICR/DSCR	<p>ICR</p> <p>INA</p> <p>DSCR</p> <p>Not applicable</p>
ICR/DSCR Covenant	<p>ICR Covenant</p> <p>135.0 percent.</p> <p>DSCR Covenant</p> <p>Not applicable</p>
Other Financial Covenants ^{*Comment}	Not applicable
Mortgage Security	Yes
Loan Performance and Status	As at 2 July 2012 the total amount outstanding was £7.4m (of which the Isobel share was £7.4m). The reduction in amounts outstanding has arisen as a result of contractual amortisation.

Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Interest Rate Swaps				
Senior	4.91	3.4	13 Apr-37	Quarterly
Senior	5.05	7.5	12 Jan-24	Quarterly

GREEN PROPERTY (the "Green Property Loan")

Loan Number	35 (Connection ID 3)
Asset Level Borrower	An English limited liability company
Asset Level Borrower domicile	Registered in England and Wales
Sponsor(s)/Guarantors	Sponsor(s): A private individual real estate investor Guarantor(s): A private individual real estate investor
Rank (Senior, Mezzanine, Junior, Other)	Senior
Loan Purpose	Acquisition of properties
No. Properties	1
Type of Properties	Mixed use
Origination Date	30 January 2004
Maturity Date	30 January 2019
Extension Option(s) ^{*Conditions}	Not applicable
Interest Payment Frequency	Quarterly
Original Loan Balance (£m)	4.9
Cut Off Date Balance (£m)	4.2
Amortisation Type	Scheduled
Currency	Sterling
Margin	1.00 per cent. per annum
Contractual Rent Waterfall	<p>The Asset Level Borrower is required to ensure that all rental income is applied to an account with the lender or, if the Asset Level Borrower does not have such account, a collection account opened for the purpose of depositing rental income.</p> <p>If the Asset Level Borrower maintains a current account with the lender, the lender is entitled to debit interest and other amounts owed by the Asset Level Borrower including unpaid fees and expenses from that account.</p> <p>If the Asset Level Borrower does not maintain a current account with the lender, the Asset Level Borrower is required to make arrangements as the lender may require in respect of payments required under the Asset Level Loan Agreement. This may include the maintenance of payment instructions acceptable to the lender.</p>
Cut-Off LTV	INA
LTV Covenant	Total LTV Covenant 80 per cent. maximum LTV Covenant

	78 per cent. maximum
Cut-Off ICR/DSCR	ICR INA DSCR Not applicable
ICR/DSCR Covenant	Total ICR Covenant 125.0 per cent. ICR Covenant 120.0 per cent. DSCR Covenant Not applicable
Other Financial Covenant ^{*Comment}	Not applicable
Mortgage Security	Yes
Loan performance and status	As at 2 July 2012 the total amount outstanding was £4.2m (of which the Isobel share was £4.2m). The reduction in amounts outstanding has arisen as a result of contractual amortisation.

Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Interest Rate Swaps				
Senior	4.91	3.3	30 Jan-37	Quarterly
Senior	5.24	4.2	30 Jan-19	Quarterly

YELLOW PROPERTY (the "Yellow Property Loan")

Loan Number	36 (Connection ID 3)
Asset Level Borrower	An English limited liability company
Asset Level Borrower domicile	Registered in England and Wales
Sponsor(s)/Guarantors	Sponsor(s): A private individual real estate investor Guarantor(s): A private individual real estate investor
Rank (Senior, Mezzanine, Junior, Other)	Senior
Loan Purpose	Acquisition of properties
No. Properties	1
Type of Properties	Mixed use
Origination Date	2 July 2004
Maturity Date	2 July 2019

Extension Option(s) ^{*Conditions}	Not applicable
Interest Payment Frequency	Quarterly
Original Loan Balance (£m)	9.2
Cut Off Date Balance (£m)	7.6
Amortisation Type	Cash sweep
Currency	Sterling
Margin	1.00 per cent. per annum
Contractual Rent Waterfall	<p>The Asset Level Borrower is required to ensure that all rental income is applied to an account with the lender or, if the Asset Level Borrower does not have such account, a collection account opened for the purpose of depositing rental income.</p> <p>If the Asset Level Borrower maintains a current account with the lender, the lender is entitled to debit interest and other amounts owed by the Asset Level Borrower including unpaid fees and expenses from that account.</p> <p>If the Asset Level Borrower does not maintain a current account with the lender, the Asset Level Borrower is required to make arrangements as the lender may require in respect of payments required under the Asset Level Loan Agreement. This may include opening feeder accounts for the purpose of collecting funds for the payment of all sums due under the Asset Level Loan Agreement and the maintenance of payment instructions to the lender in respect of the payment of sums due under the Asset Level Loan Agreement.</p>
Cut-Off LTV Covenant	INA
LTV Covenant	<p>Total LTV Covenant</p> <p>80 per cent. maximum</p> <p>LTV Covenant</p> <p>85 per cent. maximum</p>
Cut-Off ICR/DSCR	<p>Total ICR</p> <p>INA</p> <p>ICR</p> <p>INA</p> <p>DSCR</p> <p>Not applicable</p>
ICR/DSCR Covenant	<p>Total ICR Covenant</p> <p>125.0 per cent.</p> <p>ICR Covenant</p> <p>125.0 per cent.</p>

DSCR Covenant

	Not applicable
Other Financial Covenants ^{*comment}	Not applicable
Mortgage Security	Yes
Loan Performance and Status	As at 2 July 2012 the total amount outstanding was £7.5m (of which the Isobel share was £7.5m). The reduction in amounts outstanding has arisen as a result of contractual amortisation.

Tranche hedged	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Interest Rate Swaps				
Senior	4.91	5.4	2 Apr-37	Quarterly
Senior	4.95	7.6	2 Oct-18	Quarterly

ORANGE PROPERTY (the "Orange Property Loan")

Loan Number	37 (Connection ID 3)
Asset Level Borrower	An English limited liability company
Asset Level Borrower domicile	Registered in England and Wales
Sponsor(s)/Guarantors	Sponsor(s): A private individual real estate investor Guarantor(s): A private individual real estate investor
Rank (Senior, Mezzanine, Junior, Other)	Senior
Loan Purpose	Acquisition of properties
No. Properties	9
Type of Properties	Mixed use
Origination Date	28 June 2005
Maturity Date	28 June 2020
Extension Option(s) ^{*Conditions}	Not applicable
Interest Payment Frequency	Quarterly
Original Loan Balance (£m)	30.0
Cut Off Date Balance (£m)	25.4
Amortisation Type	Scheduled
Currency	Sterling
Margin	1.00 per cent. per annum
Contractual Rent Waterfall	The Asset Level Borrower is required to ensure that all rental income is applied to an account with the lender or, if the Asset Level Borrower does not have such account, a collection account opened

for the purpose of depositing rental income.

If the Asset Level Borrower maintains a current account with the lender, the lender is entitled to debit interest and other amounts owed by the Asset Level Borrower including unpaid fees and expenses from that account.

If the Asset Level Borrower does not maintain a current account with the lender, the Asset Level Borrower is required to make arrangements as the lender may require in respect of payments required under the Asset Level Loan Agreement. This may include opening feeder accounts for the purpose of collecting funds for the payment of all sums due under the Asset Level Loan Agreement and the maintenance of payment instructions to the lender in respect of the payment of sums due under the Asset Level Loan Agreement.

Cut-Off LTV	INA
LTV Covenant	Total LTV Covenant 80 per cent, maximum LTV Covenant 85 per cent, maximum
Cut-Off ICR/DSCR	Total ICR INA ICR INA DSCR Not applicable
ICR/DSCR Covenant	Total ICR Covenant 125.0 per cent. maximum ICR Covenant 145.0 per cent. maximum DSCR Covenant Not applicable
Other Financial Covenants ^{*Comment}	Not applicable
Mortgage Security	Yes
Loan Performance and Status	As at 2 July 2012 the total amount outstanding was £24.9 (of which the Isobel share was £24.9m). The reduction in amounts outstanding has arisen as a result of contractual amortisation.

Tranche hedge	Swap Rate (%)	Total Notional Amount of Tranche hedged (£m)	Maturity Date	Payment frequency
Interest Rate Swaps				
Senior	4.91	16.6	26 Mar-37	Quarterly
Senior	4.63	25.4	29 Jun-20	Quarterly

SUMMARY OF THE BORROWER TRANSACTION DOCUMENTS

The following is intended only to be a summary of certain provisions of the principal Senior Finance Documents relating to the transactions described herein and is qualified in its entirety by reference to the detailed provisions of the Senior Finance Documents.

BORROWER ASSET SALE DOCUMENTS

Definitions relevant to this section include:

"Asset Level Facility Expenses" means (i) any costs, liabilities, losses, claims, damages and expenses incurred by, and any indemnification of, any facility agent, security agent or similar administrative party (howsoever described) or any person being a member of a steering committee, a co-ordinator or otherwise involved in any standstill or other arrangement in relation to the Asset Level Obligor(s) for which such facility agent or person has recourse under the Asset Level Finance Documents to an Asset Seller but only to the extent attributable to or applicable by reference to the Assets or its obligations under the Asset Level Finance Documents and (ii) any obligations or liabilities owing by a Asset Seller under the Asset Level Finance Documents other than in its capacity as a lender under the Asset Level Finance Documents.

"Borrower General Account" means the current account in the name of the Borrower maintained with the account bank and designated the AssetCo General Account as set out in more detail in "*Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Senior Facility Agreement – Borrower and WorkoutCo Control Accounts*."

"Borrower General Account Waterfall" means the priority of payments set out in "*Security Trust and Intercreditor Deed – Borrower General Account*".

"Governmental Authority" means any governmental department, agency, institution, authority, regulatory body, court or tribunal, foreign or domestic, and includes arbitration bodies, whether governmental, private or otherwise.

"Loan Claim Impairment" means (a) any right of any person or authority in respect of the Assets or any part thereof, the effect of which is or would be to reduce, impair or otherwise materially and prejudicially affect the Assets and its obligations as lender under the Asset Level Finance Documents or any part thereof or any guarantee or Asset Level Security relating thereto; or (b) any claim or action of any person or authority whatsoever in respect of the Assets or any part thereof, the effect of which, if determined adversely, is or would be to reduce, impair or otherwise materially and prejudicially affect the Assets and its obligations under the Asset Level Finance Documents or any part thereof or any guarantee or Asset Level Security relating thereto; or (c) any right of set-off of any person in respect of the Assets.

"Residual Amount" means on the first Loan Payment Date falling after the Fund Closing Date and each Loan Payment Date thereafter until the 25th anniversary of the Fund Closing Date, any amount standing to the credit of the Borrower General Account after application of payment of amounts due under the Senior Facility Agreement and the Junior Facility Agreement (and any amounts ranking senior or *pari passu* with such amounts as fully described in items (i) to (v) inclusive of the Borrower General Account Waterfall).

Asset Loan Sale Agreement

Scope of sale and purchase

Pursuant to the terms of a loan sale agreement dated 21 December 2011 as amended on 12 January 2012 (the "**Asset Loan Sale Agreement**"), each Asset Seller either:

- (a) transferred to the Borrower with full title guarantee all its rights, title, interest and benefit, present and future, in, to and under; or
- (b) declared a trust in favour of the Borrower as contemplated by the terms of the Declaration of Trust Deed (see section entitled "*Declaration of Trust Deed*" below) over,

each of the Assets and, in consideration of such transfer and declaration of trust, the Borrower undertook to pay the purchase price payable under the terms of the Asset Loan Sale Agreement for each Asset and assume the obligations of each Asset Seller in its capacity as a lender under the terms of the applicable Asset Level Finance Documents (the "**Asset Sale**").

The subject matter of the Asset Sale is expressed under the Asset Loan Sale Agreement to consist only of each Asset Seller's rights and obligations in its capacity as a lender under the applicable Asset Level Finance Documents (and not in any other capacity).

Basis of Acquisition of Assets by Borrower

The consideration paid or payable by the Borrower in order to acquire the interests transferred pursuant to the Asset Loan Sale Agreement comprises (i) an initial cash sum and (ii) such deferred consideration as is payable from time to time on each Loan Payment Date. The amount of the Senior Loan represents approximately 60 per cent. of the cash sum referred to in (i) above plus transaction costs referable to that funding and acquisition.

Core Warranties relating to the Assets

Under the Asset Loan Sale Agreement, each Asset Seller makes the following core representations and warranties to the Borrower regarding the Assets (the "**Core Warranties**"):

- (a) subject to the matters disclosed in the Reports on Title and any reservations set out in the relevant Asset Level Finance Documents and so far as the Asset Seller is aware, in relation to each Asset Level Property held by an Asset Level Obligor, (i) the relevant Asset Level Obligors had at the date of the relevant Asset Level Finance Documents, good and marketable title to each of the relevant Asset Level Properties and (ii) at the date of the relevant Asset Level Finance Documents, the relevant Asset Level Obligors were the absolute and legal owner of the freehold, leasehold or (as the case may be) heritable proprietor of the relevant Asset Level Properties in each case free from any security interest, except where the absence of good and marketable title or absolute and legal ownership of the freehold in both instances leasehold or heritable property (as applicable) does not materially and adversely affect the value of the relevant Asset;
- (b) subject to certain reservations as to matters of law, the obligations of the Asset Level Obligors under each Asset Level Loan Agreement constitute the legal, valid and binding obligations of, and are enforceable against, the Asset Level Obligors;
- (c) subject to certain disclosed reservations as to matters of law, the charging provisions creating the mortgage in each Asset Level Mortgage Security Document constitute the legal, valid and binding obligations of, and are enforceable against, the relevant Asset Level Obligors save in respect of an Asset Level Property or Asset Level Properties where the absence of security over which does not materially and adversely affect the value of the relevant Asset; and
- (d) as far as the Asset Seller is aware, and subject to certain reservations as to matters of law, the obligations of the Material Asset Level Obligors under any Asset Level Finance Document (other than any Asset Level Loan Agreement and any non-material Asset Level Security Document) constitute the legal, valid and binding obligations of, and are enforceable against, the relevant Material Asset Level Obligors save in respect of: (i) security the absence of which; or (ii) obligations the lack of enforceability of which, does not or do not materially and adversely affect the value of the relevant Asset.

The Core Warranties were made by each Asset Seller on the date of the Asset Loan Sale Agreement and shall subsequently be repeated on the date of each utilisation request and each utilisation date under the Senior Facility Agreement, the date on which an additional guarantor accedes to the Senior Facility Agreement and/or the first day of each Loan Interest Period under the Senior Facility Agreement (other than the representation set out in the paragraph (a) above). In addition the representation set out in the paragraph (c) above is also repeated on the date on which any mortgage is granted over any of the Asset Level Properties or other real estate held by an Asset Level Obligor in favour of a lender or trustee under the Assets.

No claim may be made for a breach of a Core Warranty under the Asset Loan Sale Agreement, if the relevant breach arises as a result of (i) any amendment made to any documentation referred to in paragraphs (a) –(d) above, (ii) any changes to any parties to any documentation referred to in paragraphs (a) –(d) above, or (iii) the entry into new documentation relating to any documentation referred to in paragraphs (a) –(d) above, in each case after the date of the Asset Loan Sale Agreement.

Liability for Breach of Core Warranties

The sole remedy under the Asset Loan Sale Agreement for a breach of a Core Warranty is that the applicable Asset Seller must pay to the Borrower an amount equal to the prepayment amount that arises under the Senior Facility Agreement as a result of the Borrower having breached the Core Warranty corresponding to the relevant Core Warranty (a "**Core Warranty Breach Sum**") (see "*Senior Facility Agreement – Prepayment and Cancellation – Core Representations*").

If such a Core Warranty Breach Sum is paid by an Asset Seller to the Borrower for breach of a Core Warranty in respect of an Asset, the Borrower agrees to pay to that Asset Seller on each Loan Payment Date an amount equal to all recoveries (if any) received by it in respect of that Asset ("**Core Warranty Breach Recoveries**") since the last Loan Payment Date up to an aggregate amount equal to:

- (a) that Core Warranty Breach Sum; and
- (b) LIBOR plus 4.50 per cent. per annum on the balance of that Core Warranty Breach Sum after having deducted from it any Core Warranty Breach Recoveries already received by the Asset Seller from Borrower.

If an acceleration or enforcement event occurs under the Senior Facility Agreement, the Borrower shall have the right to transfer to the applicable Asset Seller all of its rights, title and interest in, under and to the Asset in respect of which a Core Warranty Breach Sum has been paid (the "**Asset Put Option**"). The completion of such transfer will constitute full and final settlement of the Borrower's obligations to pay any Core Warranty Breach Recoveries in respect of such Asset.

The Core Representations made by the Borrower to the Issuer in the Senior Facility Agreement are broadly the same as the Core Warranties listed above as set out in the section "*Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Representations and Warranties*" below.

Non-Core Warranties relating to the Assets

In addition to the Core Warranties and various mutual corporate representations and warranties made by each Asset Seller to the Borrower and the Borrower to each Asset Seller, each Asset Seller also made a set of representations and warranties in respect of its Assets which took effect on the date of the Asset Loan Sale Agreement (the "**Non-Core Warranties**") (such representations and warranties being subject to certain qualifications as to materiality, including the following):

Unencumbered title

It was the sole legal and beneficial owner of, and had good and (other than in the case of the Assets which were subject to the Declaration of Trust Deed) marketable title to, the Assets free and clear of any encumbrance save for such encumbrances as may be contained in any of the Asset Level Finance Documents and it conveyed its Assets with full title guarantee (but excepting any encumbrance contained in any of the Asset Level Finance Documents) and it has not made any prior sale, transfer or sub-participation of its interest in its Assets which was subsisting;

No other documents

Other than the Asset Level Finance Documents, there were no other material documents executed by it which would materially and adversely affect its Assets or obligations under the Asset Level Finance Documents and, (other than as contemplated by the Asset Loan Sale Agreement) it had not executed any material amendments, supplements, accessions, waivers or variations to the applicable Asset Level Finance Documents or documents relating to it which had not also been executed by or on behalf of the lenders under the Asset Level Finance Documents (of the same class as it) generally;

No default

It was not in default of any of its material obligations in relation to its Assets;

Alienability

Subject to the obtaining of any necessary consents, licences and authorisations, all rights and benefits (including proprietary rights under any relevant security documentation) and, where applicable, all obligations under the applicable Asset Level Finance Documents, which it and the Borrower agreed will be novated, assigned or otherwise effectively transferred (whether by way of trust or other means) to the Borrower pursuant to the Asset Loan Sale Agreement were capable of being so novated, assigned or otherwise effectively transferred;

No bad acts

It had not engaged in any material acts or conduct, or made any material omissions, independently of the other lenders that would result in the Borrower receiving, in any material way, proportionately less payments or distributions or materially less favourable treatment in respect of the Assets or its obligations under the Asset Level Finance Documents than any other lender under the Asset Level Finance Documents holding advances or a participation (of a similar nature to the Asset) and similar claims under the Asset Level Finance Documents or result in any Assets, or any part thereof, being subject, in any material way, to a Loan Claim Impairment and, in particular, it has not set off any amounts against the Assets and (to the best of its knowledge) no rights of set-off of, or against it exist which will permit (to the best of its knowledge) any set off of, or against it or counterclaim against the Assets;

No impairment

It had not received any notice and it was not otherwise, to the best of its knowledge, aware that the Assets or any portion thereof or any guarantees or Asset Level Security relating thereto or any of the Asset Level Finance Documents were subject to any Loan Claim Impairment or are invalid or void;

No funding obligations

Save in respect of the "Alpha Asset", "Pimlico Asset" and "Warner Asset", it had no obligations to make loans or advances or other extensions of credit or to provide any other facility or financial accommodation under or in accordance with any Asset Level Loan Agreement which was to be transferred to the Borrower under the Asset Loan Sale Agreement other than its obligations as lender under the Asset Level Finance Documents and it had no other liabilities or obligations in respect of the Assets other than Asset Level Facility Expenses; and

No litigation

So far as it was aware, no proceedings of or before any Governmental Authority had been commenced or, to the best of its knowledge, were threatened against it which would adversely affect the Assets, its obligations as lender under the Asset Level Finance Documents or any of the rights of the Borrower under the Asset Loan Sale Agreement.

For the purposes of the above representations and warranties, awareness of the Asset Sellers was stated in the Asset Loan Sale Agreement to mean awareness of individuals principally involved in the management of the Assets or in the structuring of the transaction and in each case employed by an Asset Seller at the relevant cut off date.

The deadline for bringing a claim against an Asset Seller in respect of a breach of a Non-Core Warranty is 31 December 2012.

Qualifications to Non-Core Warranties

The representations and warranties above were made subject to certain limitations (including as to time and quantum) and qualifications plus certain disclosures, including those set out below. It should be noted that although references to specific representations and warranties are given below against specific disclosures, such references will not limit the scope of the relevant disclosures. Accordingly, each disclosure below will, to the extent relevant, qualify each representation and warranty set out above.

Option to repurchase for breach of Non-Core Warranty

Following the breach of a Non-Core Warranty, if an Asset Seller has indicated that it intends to repurchase an Asset, such Asset Seller will be required, broadly, to repurchase the relevant Asset for the following consideration:

- (a) the cash purchase price paid by the Borrower on the date of completion of the Asset Sale (the "**Fund Closing Date**") in respect of such Asset (as adjusted, if applicable, in accordance with certain reconciliation provisions);
- (b) all reasonable costs and expenses paid by the Borrower with respect to that Asset since the Fund Closing Date;
- (c) interest on such cash purchase price referred to above and on all such costs and expenses referred to above for the period from the date such amounts were paid to but excluding the date of the repurchase at a rate per annum equal to 11 per cent.;

less:

- (d) any monies received by the Borrower at any time after the Fund Closing Date with respect to the Asset being repurchased, including with respect to any insurance policy, plus interest on such amounts (calculated on the basis of actual number of days elapsed and a year of 365 days) for the period from the date of receipt by it of such amounts to but excluding the date of the repurchase at a rate per annum equal to 11 per cent.

On the date of the repurchase, the Borrower is required to give certain representations and warranties as to the applicable Asset Seller in respect of the Assets being repurchased in respect of the period from the Fund Closing Date to the date of the repurchase.

Mutual Warranties by Asset Sellers

Each Asset Seller also made representations in the Asset Loan Sale Agreement as to due incorporation, capacity and authority to enter into the Asset Loan Sale Agreement and related documentation, its obligations under the Asset Loan Sale Agreement constituting legal, valid and binding obligations, all necessary consents, authorisations and approvals having been obtained, compliance with applicable laws and other documentation and there having been no insolvency event in respect of such Asset Seller.

Declaration of Trust Deed

Scope of trusts

Under the terms of the Declaration of Trust Deed, the Designated Trustees declared a trust in favour of the Borrower over the Assets relating to each Asset which has been designated as a "Seller Trust Loan" in the Asset Loan Sale Agreement (the "**Originator Trust Assets**") (save that in the case of the trust created over each Originator Trust Asset designated as a "Originator Trust Bilateral Loan" (a "**Originator Trust Bilateral Loan**"), where the relevant Designated Trustees as swap provider also retain a *pari passu* interest alongside the Borrower in that trust so far as it extends to the enforcement proceeds of any security for such Originator Trust Bilateral Loan). The Originator Trust Assets as at the Fund Closing Date are as set out below (and are marked "**OTBL**" where they were also designated an Originator Trust Bilateral Loan):

1. The London & Westcountry Property Loans (OTBL)
2. The Urban Splash Property Loan
3. The Structadene Property Loans (OTBL)
4. The Primepanel Property Loan (OTBL)
5. The Bravo Property Loan (OTBL)
6. The Charlie Property Loan

7. The Delta Property Loan
8. The Trustees of the Sugar Mill Property Loan
9. The Echo Property Loan

Since the Fund Closing Date, the London and Westcountry Property Loan has since been transferred from the applicable Designated Trustee to the Borrower and therefore has ceased to be subject to the trusts constituted by the Declaration of Trust Deed.

Loan receipts and cash sweep

As the Designated Trustees remain "lenders of record" in respect of the Originator Trust Assets and continue to hold the Asset Level Security relating thereto, the relevant Asset Level Obligors will continue after the Fund Closing Date to pay interest, principal and other amounts under the Originator Trust Assets to the Designated Trustees for so long as such Originator Trust Assets remain within the trust constituted by the Declaration of Trust Deed. The Designated Trustees have each opened an internal account for holding such sums (the "**Originator Collection Account**"). Under the terms of the Declaration of Trust Deed, amounts standing to the credit of the Originator Collection Account are required to be swept to an account of the Borrower by the end of each Business Day (if received at or prior to 3pm on a Business Day) or by the end of the next following Business Day (if received after 3pm on such Business Day).

Powers of the Designated Trustees to Deal with the Trust Assets

Under the terms of the Declaration of Trust Deed, the Designated Trustees have no right or power to deal with the Originator Trust Assets in any manner whatsoever save:

- (a) as the Borrower or another permitted beneficiary may otherwise direct (in accordance with the terms of the Management Agreement and the shareholders agreement);
- (b) as expressly contemplated by the Declaration of Trust Deed; or
- (c) where it is required to exercise any right, power and/or discretion pursuant to regulatory directions or requirements of law or contract.

Taking action in respect of an Originator Trust Asset

If the Asset Manager determines any document is required to be executed by the relevant Designated Trustee as lender of record in respect of an Originator Trust Asset (in respect of, for example, a waiver), then the Asset Manager may send such document to the relevant Designated Trustee and such Designated Trustee is required to execute such document within a certain period following receipt. This would also apply to any steps required to accelerate the relevant Originator Trust Asset and enforce the security in respect of such Originator Trust Asset, including appointing any receiver (to the extent entitled to do so under the Asset Level Security) or entering into dialogue with any administrator of any insolvent Asset Level Obligor.

Other than in relation to a Power of Attorney Event (as described below), neither the Asset Manager nor Borrower (nor any other permitted beneficiary) is entitled to execute any document on behalf of a Designated Trustee.

If, however, the Asset Manager, acting in accordance with the standards set out in the Management Agreement considers it necessary that it joins any meetings, conference calls or other communications that the relevant Designated Trustee is entitled to receive in its capacity as "lender of record" in respect of a particular Originator Trust Asset then the Designated Trustee is required, upon request, to make requests for the necessary consents to enable this.

Protection of the Designated Trustees

Each of the Designated Trustees (and any of its affiliates and each of the directors, officers and employees of it and its affiliates) (each an "**Indemnified Person**") have the benefit of indemnities given by the Borrower in respect of any liabilities which may be suffered or incurred by an Indemnified Person arising:

- (a) as a result of acting in accordance with the Declaration of Trust Deed; and/or
- (b) from an Indemnified Person holding or otherwise dealing with the Originator Trust Assets and/or acting at the request or instruction of a beneficiary or the Asset Manager in relation thereto; and/or
- (c) in complying with any of its obligations as lender under the Asset Level Finance Documents arising in connection with any Originator Trust Assets; and/or
- (d) in complying with any law or regulation or regulatory direction or request relating to the performance of its obligations under the Declaration of Trust Deed; and/or
- (e) as a result of any, claim, investigation, litigation, judgement or proceeding issued, commenced or threatened against it in connection with any of the matters referred to under paragraphs (a) to (d) above,

provided that such indemnity shall not extend to (i) any liabilities that have arisen in respect of any breach of any representation or warranty given by a Designated Trustee under the Declaration of Trust Deed or otherwise in relation to a Designated Trustee's or its agents' or employees' breach of the terms of the Declaration of Trust Deed, negligence, bad faith, wilful misconduct or fraud; and (ii) without prejudice to (i), to any liabilities arising out of the trust constituted by the Declaration of Trust Deed being or being claimed by any person to be ineffective as a trust.

Representations and Warranties

The Declaration of Trust Deed incorporates by reference the representations and warranties given under the Asset Loan Sale Agreement and in addition includes a warranty given by each Designated Trustee on the date of the Declaration of Trust Deed that the trust constituted by the Declaration of Trust Deed is effective as a trust.

Power of Attorney Event

Each of the Designated Trustees, as a condition precedent to the Asset Loan Sale Agreement, has provided a power of attorney to the Borrower enabling it to take certain action in the name of a Designated Trustee following a "**Power of Attorney Event**", being, in summary, the occurrence of either (i) an insolvency related event in respect of a Designated Trustee, (ii) a Designated Trustee defaulting on its payment obligations under the Declaration of Trust Deed or (iii) a Designated Trustee being in material breach of its obligations under the Declaration of Trust Deed.

If a Power of Attorney Event has occurred in respect of a Designated Trustee then the Borrower or a permitted beneficiary would be entitled to take any of the following actions in the name of the relevant Designated Trustee under the power of attorney granted by the relevant Designated Trustee **provided that** such Designated Trustee has itself failed to take such action within a certain period of receiving a written request to do so:

- (a) taking action to direct a borrower/obligor to make payments to the Borrower/permitted beneficiary's Beneficiary Collection Account,
- (b) taking action against any Asset Level Obligors in respect of an Originator Trust Asset under the terms of the relevant Originator Trust Asset whether such action is enforcement of the Originator Trust Asset (and related security) or otherwise, and
- (c) taking any other course of action (permissible under the Asset Level Finance Documents and in accordance with the terms of the Management Agreement) as the Borrower (or any other

permitted beneficiary) considers desirable in relation to the collection or sale or analogous action in relation to such Originator Trust Asset (and related rights).

Transfer of Trust Assets

Under the terms of the Declaration of Trust Deed, each Designated Trustee and the Borrower are required to co-operate and provide reasonable assistance to the other for the purposes of transferring the legal title of the Originator Trust Assets held by such Designated Trustee to the Borrower or any other permitted beneficiary.

Declaration of Trust Duty of Care Agreement

Pursuant to a duty of care agreement (the "**Declaration of Trust Duty of Care Agreement**") originally between the Borrower as original beneficiary, the Designated Trustees, The Royal Bank of Scotland plc and National Westminster Bank plc as the original asset existing swap providers, the Asset Manager, the Senior Agent and the Borrower Security Trustee, amongst other things:

- (a) each Designated Trustee has undertaken in favour of the Senior Agent and the Borrower Security Trustee to comply with the terms of the Declaration of Trust Deed and to exercise all proper skill, care and diligence in performing its duties under the Declaration of Trust Deed;
- (b) each Designated Trustee has acknowledged that the Senior Finance Parties have relied on its proper skill and judgment in respect of those matters within the scope of its responsibilities under the Declaration of Trust Duty of Care Agreement and that it owes the Senior Finance Parties a duty of care; and
- (c) each Designated Trustee has undertaken to each of the Senior Agent and the Borrower Security Trustee that it will (to the extent within the scope of its obligations from time to time under the Declaration of Trust Deed):
 - (i) promptly on behalf of the Senior Agent and the Borrower Security Trustee collect and pay all General Realisation Proceeds, Report Claims, Consent and Restructuring Fees, Asset Level Net Insurance Proceeds and General Income arising from any Originator Trust Asset upon receipt or, if later, clearance and without withholding (unless required by to do so by law), set-off or counterclaim directly into the relevant Originator Collection Account in accordance with the terms of the Declaration of Trust Deed;
 - (ii) promptly on behalf of the Senior Agent and the Borrower Security Trustee pay all General Realisation Proceeds, Report Claims, Consent and Restructuring Fees, Asset Level Net Insurance Proceeds and General Income arising from any Originator Trust Asset that are paid into an Originator Collection Account net of any administration fees then due and payable under the Declaration of Trust Deed into the relevant Beneficiary Collection Account or WorkoutCo Collection Account in accordance with the terms of the Declaration of Trust Deed.

Conditional Asset Sale Agreement

The Conditional Asset Sale Agreement was entered into between the Borrower as seller and Loan Capital Limited as buyer. Under the terms of the Conditional Asset Sale Agreement, in order to ensure that the intended tax status of the Borrower is maintained, the Borrower agrees, amongst other things, to sell to Loan Capital Limited any Asset which it continues to hold (and has not already been transferred to a WorkoutCo) where an agreement is reached (but not yet completed) for such Asset to be restructured and as part of the restructuring Equity Residuals will be created in favour of the lender in relation to the relevant Asset.

The sale of the relevant Asset under the Conditional Asset Sale Agreement is required to occur no later than on the business day falling immediately prior to the date of completion of the restructuring and issuance of the Equity Residual. The purchase price payable for the sale is made up of an initial amount of consideration (broadly equal to the carrying value of the Asset in the books of the Borrower prior to the sale) payable upon the date of the sale plus a deferred amount of consideration payable on the date on which Loan Capital Limited ceases to hold any interest the Asset.

SENIOR FACILITY AGREEMENT AND BORROWER TRANSACTION SECURITY

Senior Facility Agreement

Pursuant to the terms of the Senior Facility Agreement the Initial Senior Lender advanced a £553,272,242 loan (the "**Original Principal Amount**") to the Borrower for the purpose of enabling the Borrower to acquire the Assets and pay interest, fees and other transaction costs in connection with the acquisition of the Assets. The availability period has expired and the Senior Loan is therefore fully drawn. As at 10 July 2012 the principal amount outstanding under the Senior Loan was £501,931,091. The principal amount outstanding under the Senior Loan following the prepayment resulting from the disposal of the Marlow Asset on 27 July 2012 was £463,219,111.

Interest

Interest on the Senior Loan accrues quarterly in arrear in Sterling by reference to successive interest periods (each a "**Loan Interest Period**") and the Borrower is required to make payments of interest then due and payable under the Senior Facility Agreement on 10 January, 10 April, 10 July and 10 October of each year, **provided that**, if any such day is not a Business Day, the date for such payments shall be the immediately succeeding Business Day in the same month (if there is one) or the preceding Business Day (if there is not) (each such date a "**Loan Payment Date**").

The rate of interest on the Senior Loan for each Loan Interest Period is the percentage rate per annum which is the aggregate of the applicable: (a) margin; (b) LIBOR; and (c) mandatory cost. The margin is 4.50 per cent. per annum until 10 January 2016 (the "**Loan Expected Maturity Date**") and then it steps up to 5.50 per cent. per annum if the term of the Senior Loan is extended until 10 January 2017 (the "**Extended Loan Expected Maturity Date**"). See "*Repayment of the Senior Loan*" below for more details of the Senior Loan extension provisions.

Interest will accrue on any unpaid sum under the Senior Loan at a rate which is two (2) per cent. higher than the rate which applied prior to such default, such payments to be compounded at the end of each relevant Loan Interest Period.

Ongoing Borrower Agent fees, the Borrower Security Trustee fees and the Borrower Account Bank fees

The Borrower has paid on the Loan Payment Date falling in April 2012 and will pay in each subsequent Loan Payment Date falling in January of each year an annual agency fee for the following year.

The Borrower shall also pay an annual account bank fee annually in advance.

The Borrower must pay the costs and expenses reasonably incurred by the Senior Agent and the Borrower Security Trustee in connection with the negotiation, preparation, printing and execution of any document referred to in the Senior Facility Agreement.

Issuer fees

The Borrower shall pay to the Issuer fees equivalent to any Issuer Note Trustee Costs ("**Issuer Note Trustee Costs Fees**") and any Issuer Other Costs ("**Issuer Other Costs Fees**").

"**Issuer Note Trustee Costs**" means any costs, fees, expenses and indemnities payable by the Issuer to the Note Trustee (and any receiver or delegate appointed by the Note Trustee), in each case in connection with the Senior Loan.

"**Issuer Other Costs**" means:

- (a) any costs, fees and expenses payable by the Issuer to the Servicer, the Special Servicer, the Corporate Services Provider, the Corporate Officer Provider, the Liquidity Facility Provider, any Rating Agency, the Listing Agent, auditors, accountants, legal advisers and tax advisers providing services to the Issuer, in each case incurred in relation to the securitisation of the Senior Loan;

- (b) any costs, fees, expenses and indemnities payable by the Issuer to the Issuer Account Bank, the Cash Administrator and the Paying Agents providing services to the Issuer, in each case incurred in relation to the Senior Loan, and provided that no such indemnities shall be payable to RBS and/or any affiliate of it in any of the foregoing capacities;
- (c) any accrued interest or repayments of principal payable by the Issuer to the Liquidity Facility Provider incurred in relation to the securitisation of the Senior Loan;
- (d) any due and unpaid amount specified as "retained profit" in accordance with the SC Regs for the Issuer; and
- (e) any other operational costs of the Issuer or any other costs, fees and expenses payable by the Issuer to any other third parties providing services to the Issuer, in each case incurred in relation to the securitisation of the Senior Loan and in an aggregate amount no greater than £10,000 per annum.

Repayment of the Senior Loan

On or before the Loan Repayment Dates specified in the first column of the table below, the Borrower shall repay the Senior Loan in an amount at least equal to the Level 2 Repayment Target set out opposite such Loan Repayment Dates in the table below.

Loan Repayment Dates (each a "Loan Repayment Date")	Level 1 Repayment Target (each a "Level 1 Repayment Target")	Level 2 Repayment Target (each a "Level 2 Repayment Target")
31 December 2013	35 per cent. of the Original Principal Amount	10 per cent. of the Original Principal Amount
31 December 2014	60 per cent. of the Original Principal Amount	20 per cent. of the Original Principal Amount
31 December 2015	75 per cent. of the Original Principal Amount	35 per cent. of the Original Principal Amount

A breach of a Level 1 Repayment Target or a Level 2 Repayment Target may be cured within 20 Business Days of the Senior Agent giving the Obligor's Agent notice of the breach if the Borrower: (a) prepays the Senior Loan; (b) credits cash to the Performance Test Cash Trap Account; or (c) delivers cash equivalent collateral to the Senior Agent, in an amount necessary to cure the breach, ((b) and (c) together being a "**Collateral Cure Amount**"). If by the third Loan Payment Date following a payment by the Borrower of a Collateral Cure Amount, the Level 2 Repayment Target would not be met without deducting the relevant Collateral Cure Amount from the principal balance of the Senior Loan, the Senior Agent may use (or, as the case may be, liquidate and use) the relevant Collateral Cure Amount to prepay the Senior Loan to the extent necessary to cure a Level 2 Repayment Target breach. The Borrower may only cure a breach of Level 1 Repayment Target or Level 2 Repayment Target by delivering a Collateral Cure Amount no more than two times in succession during the term of the Senior Loan.

A breach of a Level 1 Repayment Target will not result in a Loan Event of Default. However, as set out in "*Security Trust and Intercreditor Deed – Borrower and WorkoutCo Control Accounts – Realisation Proceeds Account – (Payments after prepayment of the Senior Loan from disposal proceeds and Repayable Compensation Payments)*" and "*Security Trust and Intercreditor Deed – Borrower and WorkoutCo Control Accounts – Income Account (Pre-Material Event of Default and prior to repayment of Investor Return Amount)*" amounts standing to the credit of the Borrower and WorkoutCo Control Accounts may be applied (in certain circumstances) in repayment of the Senior Loan up to the amount required to reach the relevant Level 1 Repayment Target. (See "*Security Trust and Intercreditor Deed – Borrower and WorkoutCo Control Accounts – Performance Test Cash Trap Account*" below for details regarding payments made from the Performance Test Cash Trap Account.)

On the Loan Expected Maturity Date, the Borrower shall pay and discharge all of the Senior Secured Obligations (including any remaining Issuer Note Trustee Costs Fees and/or Issuer Other Costs Fees) in full unless the term of the Senior Loan has been extended, in which case the Borrower shall pay and discharge all of the Senior Secured Obligations in full on the Extended Loan Expected Maturity Date. The Borrower may extend the term of the Senior Loan if, not more than 90 days and not less than 30 days prior to the Loan Expected Maturity Date, the Obligor's Agent requests such an extension in writing to the Senior Agent, no Loan Event of Default has occurred and is continuing at the date of that request and (to the extent that any hedging arrangements are in place prior to the Loan Expected Maturity Date) the

Borrower enters into additional hedging arrangements with a term expiring on the Extended Loan Expected Maturity Date.

The Borrower may not reborrow any part of the Senior Loan which is repaid.

Prepayment and Cancellation

Voluntary prepayment

The Borrower may, upon giving not less than ten (10) Business Days prior notice to the Senior Agent (or such shorter period as the Senior Majority Lenders may agree), prepay the whole or any part of the Senior Loan on the next Loan Payment Date (but, if in part, being an amount that reduces the amount of the Senior Loan by a minimum amount of £5,000,000 unless the voluntary prepayment will repay the Senior Loan in full, is being made in order to cure a breach of a Level 1 Repayment Target or a Level 2 Repayment Target or is being made to ensure that the Interest Cover Ratio is at least 1.25x). (See "*Financial Undertakings in relation to the Senior Loan – Interest Cover Ratio*").

Illegality

If it becomes unlawful in any applicable jurisdiction for any Senior Lender to perform any of its obligations under the Senior Facility Agreement or to fund or maintain its participation in the Senior Loan, its commitment to lend shall immediately on notification by the Senior Agent to the Obligors' Agent be cancelled. This will trigger a prepayment by the Borrower under the Senior Facility Agreement of the principal amount outstanding of the Senior Loan. The Borrower will prepay the relevant Senior Lender's participation in the Senior Loan on the last day of the Loan Interest Period if there are less than 30 days left in the then current Loan Interest Period or, if earlier, the date specified by the relevant Senior Lender in the notice delivered to the Senior Agent (being no earlier than the last day of any applicable grace period permitted by law).

Change of Asset Manager

If a change of the Asset Manager occurs and a substitute asset manager is not appointed in accordance with the provisions of the Management Agreement or with the consent of the Senior Lenders (acting reasonably) or the substitute asset manager fails to either enter into a duty of care agreement (in form and substance reasonably satisfactory to the Senior Agent (acting on the instructions of the Senior Majority Lenders) or accede to the Security Trust and Intercreditor Deed as a subordinated creditor, then the Senior Agent may (acting on the instructions of the Senior Lenders) notify the Obligors' Agent that the commitments be immediately cancelled. This will trigger a prepayment by the Borrower under the Senior Facility Agreement of the principal amount outstanding of the Senior Loan. No Senior Lender may withhold consent to the appointment of a substitute asset manager on the basis of unsatisfactory terms if the terms of appointment are substantially the same as the existing management agreement. The consent of any Senior Lender to a change to the Asset Manager is deemed to be given if the relevant Senior Lender fails to respond to any request for approval within 20 Business Days.

Change of Control

If certain Blackstone Affiliates, directly or indirectly cease to control at least 12.5 per cent. of the voting rights in respect of the shares in HoldCo or cease to have a beneficial interest of at least 12.5 per cent. of the investments (meaning, the shares of HoldCo, the Junior Loan and the Ordinary Deferred Consideration), the Senior Agent may (acting on the instructions of the Senior Lenders) notify the Obligors' Agent that the commitments be immediately cancelled. This will trigger a prepayment by the Borrower under the Senior Facility Agreement of the principal amount outstanding of the Senior Loan.

Net Report Claims

If the Borrower receives any proceeds representing a claim made in respect of any due diligence report or valuation report in connection with any Asset or New Asset, the Senior Loan shall be prepaid in an amount equal to the relevant claim after deducting of any third party costs reasonably and properly incurred in connection with the claim (including any costs and expenses of which the Asset Manager is entitled to claim a reimbursement under the terms of the Management Agreement). Following the prepayment, the then current ADA Release Price and Reduced Release Price for the Asset or New Asset in relation to which the relevant claim was made shall be reduced by an amount equal to that prepayment.

Net Consent and Restructuring Fees

If the Borrower receives any fees payable by an Asset Level Obligor in relation to any consent to any amendment or restructuring of any Asset or New Asset (but excluding any exit fees payable on the partial or full realisation of any Asset or New Asset), the Senior Loan shall be prepaid in an amount equal to the relevant consent and restructuring fees after the deduction of any third party costs reasonably and properly incurred in recovering such consent and restructuring fees (including any costs and expenses of which the Asset Manager is entitled to claim a reimbursement under the terms of the Management Agreement) (the "**Net Consent and Restructuring Fees**"). Following such a prepayment, the then current ADA Release Price and Reduced Release Price for the Asset or New Asset to which the relevant consent or restructuring fees relate shall be reduced by an amount equal to that prepayment.

Net Warranty Claim

If the Borrower receives any proceeds representing a claim for breach of representation or warranty made by the Borrower against the Asset Sellers under the Asset Loan Sale Agreement, the Senior Loan shall be prepaid in an amount equal to the lower of: (a) the relevant claim after the deduction of any third party costs reasonably and properly incurred in connection with the claim (including any costs and expenses of which the Asset Manager is entitled to claim a re-imbusement under the terms of the Management Agreement); and (b) the then current ADA Release Price for the Asset to which the claim relates. Following the prepayment, the then current ADA Release Price and Reduced Release Price for the Asset to which the claim relates shall be reduced by an amount equal to the prepayment.

Repayment Shortfall Prepayments and ICR Prepayments

If the Interest Cover Ratio fails to reach 1.25x for two consecutive Test Periods following a breach of the Interest Cover Ratio, the Senior Agent shall on the third Loan Payment Date to occur after the relevant breach apply all amounts standing to the credit of the Performance Test Cash Trap Account in prepayment of the Senior Loan. See "*Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Financial undertakings in relation to the Senior Loan – Interest Cover Ratio*".

If the Interest Cover Ratio reaches 1.25x for two consecutive Test Periods following a breach of the Interest Cover Ratio, no breach of the Level 1 Repayment Target is subsisting and no Loan Event of Default is continuing, the Senior Agent shall on the third Loan Payment Date to occur after the relevant breach of the Interest Cover Ratio apply all amounts standing to the credit of the Performance Test Cash Trap Account (other than any Collateral Cure Amount that has been paid into the Performance Test Cash Trap Account to cure any outstanding breach of a Level 1 Repayment Target which shall be applied in prepayment of the Senior Loan) in prepayment of the Senior Loan up to a maximum aggregate amount of: (a) all Realisation Proceeds Shortfall Amounts then outstanding; and (b) any Core Representation Prepayment Amount outstanding. See "*Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Undertakings – Disposals*".

Level 2 Repayment Target Prepayments

If by the third Loan Payment Date following delivery by the Borrower of a Collateral Cure Amount, the Level 2 Repayment Target would not be met without deducting the relevant Collateral Cure Amount from the principal balance of the Senior Loan, the Senior Agent may use (or, as the case may be, liquidate and use) the relevant Collateral Cure Amount to prepay the Senior Loan to the extent necessary to cure the relevant Level 2 Repayment Target breach. See "*Repayment of the Senior Loan*".

Net Realisation Proceeds

On each Loan Payment Date the Obligors shall prepay, or procure the prepayment of, the Senior Loan with any Net Realisation Proceeds which are then on deposit in the Realisation Proceeds Account as set out in "*Security Trust and Intercreditor Deed – Borrower and WorkoutCo Control Accounts – Realisation Proceeds Account (Prepayment of the Senior Loan on Disposal in full of Asset)*", "*Security Trust and Intercreditor Deed – Borrower and WorkoutCo Control Accounts – Realisation Proceeds Account (Prepayment of the Senior Loan on Disposal in part of Asset)*", "*Security Trust and Intercreditor Deed – Borrower and WorkoutCo Control Accounts – Realisation Proceeds Account – (Payment of Repayable Compensation Payments)*" and "*Security Trust and Intercreditor Deed – Borrower and WorkoutCo*

Control Accounts – Realisation Proceeds Account (Payments after prepayment of Senior Loan from disposal proceeds and Repayable Compensation Payments)".

Following any such prepayment, the then current ADA Release Price and the Reduced Release Price for the Asset or New Asset which gave rise to the Net Realisation Proceeds shall each be reduced by an amount equal to that prepayment.

Asset Residual Value Net Realisation Proceeds

On each Loan Payment Date the Obligors shall prepay, or procure the prepayment of, the Senior Loan with any Asset Residual Value Net Realisation Proceeds which are then on deposit in the Realisation Proceeds Account as set out in "*Security Trust and Intercreditor Deed – Borrower and WorkoutCo Control Accounts – Realisation Proceeds Account (Asset Residual Value Net Realisation Proceeds)*".

Following any such prepayment, the then current ADA Release Price and the Reduced Release Price for the New Property Loans related to the relevant Asset Residual Value shall each be reduced by an amount equal to that prepayment.

Insurance proceeds

If the Borrower or an REO Property WorkoutCo receives any proceeds representing a claim made by it or an Asset Level Obligor under an insurance policy in which it or the relevant Asset Level Obligor has an interest, the Senior Loan shall be prepaid in an amount equal to the relevant proceeds after deduction of any third party costs reasonably and properly incurred by the Borrower or a WorkoutCo in recovering those proceeds (including any costs and expenses in respect of which the Asset Manager is entitled to claim a reimbursement under the terms of the Management Agreement). Following such a prepayment, the then current ADA Release Price and Reduced Release Price for the Asset or New Asset in relation to which the relevant insurance proceeds relate shall be reduced by an amount equal to that prepayment.

Core Representations

If there is a breach of any Core Representation and the Senior Loan is not prepaid as described below on the next Loan Payment Date (or if notice of the breach is served on or after any date falling 15 Business Days prior to the next Loan Payment Date, the Loan Payment Date following the next Loan Payment Date), amounts standing to the credit of the Performance Test Cash Trap Account shall, be applied on each subsequent Loan Payment Date in prepayment of the Senior Loan (the "**Core Representation Prepayment Cash Sweep**") until the relevant Core Representation Prepayment Amount has been paid into the Realisation Proceeds Account or the amounts applied in prepayment of the Senior Loan pursuant to the Core Representation Prepayment Cash Sweep are equal to the relevant Core Representation Prepayment Amount. See also "*Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Representations and Warranties*".

On the date on which the same is paid into the Realisations Proceeds Account, the Obligors shall prepay the Senior Loan in an amount equal to the Allocated Debt Amount for the relevant Asset (after taking into account any reductions in the ADA Release Price) plus all other amounts due on a prepayment of the Senior Loan (the "**Core Representation Prepayment Amount**") after deducting any amount previously applied in prepayment of the Senior Loan pursuant to the Core Representation Prepayment Cash Sweep. On such a prepayment, the ADA Release Price and the Reduced Release Price for the Asset to which the Core Representation Prepayment Amount relates shall be reduced to zero.

Compensation Payments

If the Borrower receives any proceeds representing certain Compensation Payments payable under the Compensation Deed, the Senior Loan shall be prepaid in an amount equal to those Compensation Payments. Following such a prepayment, the then current ADA Release Price and Reduced Release Price for the Asset to which those Compensation Payments relate shall be reduced by an amount equal to that prepayment.

Excess Future Funding Obligations Amounts

On each Loan Payment Date falling during any Excess Future Obligations Amount Retention Period, the Obligors shall prepay, or procure the prepayment of, the Senior Loan with any Excess Future Funding

Obligations Amounts which are then on deposit in the Realisation Proceeds Account as set out in "Security and Trust and Intercreditor Deed – Borrower and WorkoutCo Control Accounts – Realisation Proceeds (Excess Future Funding Obligations Amounts)".

Following any such prepayment, the then current ADA Release Price and the Reduced Release Price for all the remaining Property Loans and the New Property Loans that have not been disposed of in full shall each reduced on a *pro rata* basis by an aggregate amount equal to such prepayment.

Tax, Illegality, Mandatory Cost and Defaulting Lender

If any sum payable to a Senior Lender is required to be increased as a result of the imposition of a requirement to deduct or withhold tax from a payment to be made to that Senior Lender by the Borrower or, as the case may be, a Guarantor under the Senior Facility Agreement, or if a Senior Lender claims indemnification from the Borrower or, as the case may be, a Guarantor in respect of any tax suffered by a Senior Lender, or any Senior Lender notifies the Senior Agent of an increase in its additional costs rate for the purposes of the calculation of mandatory cost, or if any Senior Lender becomes a Defaulting Lender or if it becomes illegal for a lender to perform its obligations under the Senior Facility Agreement, the Borrower may give the Senior Agent notice of cancellation of the commitment of the Senior Lender and its intention to procure the repayment of the Senior Loan or its intention to replace the Senior Lender. Upon receipt of notice of the same, the commitment of the relevant Senior Lender shall immediately be reduced to zero.

Prepayments generally

All prepayments made under the Senior Facility Agreement shall be made together with, amongst other things, any accrued interest (up to the next Loan Payment Date), break costs, and prepayment fees (if any).

In the case of the prepayment of the whole of the Senior Loan, any remaining Issuer Note Trustee Costs Fees and/or Issuer Other Costs Fees must also be paid in full on the relevant prepayment date.

Prepayment fees are only payable where the Senior Loan is voluntarily prepaid from funds which are not derived directly or indirectly from cashflows or proceeds arising out of any Asset or New Asset. Any prepayment fees will be in an amount equal to: (a) 3.00 per cent. of the amount prepaid, if such voluntary prepayment is made after 12 January 2012 but on or before 12 January 2013; (b) 1.50 per cent. of the amount prepaid if such voluntary prepayment is made after 12 January 2013 but on or before 12 July 2013; (c) 0.50 per cent. of the amount prepaid, if such voluntary prepayment is made after 12 July 2013 but on or before 12 January 2014; and (d) thereafter no prepayment fee is payable.

Subject to sufficient Realisation Proceeds being held in the Beneficiary Collection Account, voluntary prepayments, and mandatory prepayments on a change of Asset Manager, mandatory prepayment on a change of control, mandatory prepayment from net report claims, mandatory prepayment from net consent and restructuring fees, mandatory prepayment from net warranty claims, mandatory prepayment from insurance proceeds and mandatory prepayment from Compensation Payments may (if the Borrower so elects by no less than 10 business days' notice to from the Obligors' Agent to the Agent) be made on a date earlier than the next Loan Payment Date (an "**Early Payment Date**"). A mandatory prepayment from net realisation proceeds may be made on a date earlier than the next Loan Payment Date **provided that** the amount prepaid on that date is at least £5,000,000 and the election to make such a prepayment is made no more than once every 30 days.

Allocated Debt Amounts, ADA Release Prices and Reduced Release Prices

"**ADA Release Price**" means in respect of a Property Loan (or following a Credit Bid Restructuring Event in relation to that Property Loan the related New Property Loans instead) the amount in Sterling specified for such Property Loan or New Property Loans (as applicable) in the table below and as such ADA Release Price may be reduced from time to time pursuant to the terms of the Senior Facility Agreement.

"**Allocated Debt Amount**" means (i) in respect of each Asset, the "Allocated Debt Amount" specified in Schedule 10 (*Allocated Debt Amounts and Release Prices*) of the Senior Facility Agreement, and (ii) in respect of each New Asset, from and after the occurrence of the applicable Credit Bid Restructuring Event, the "Allocated Debt Amount" specified in Schedule 10 (*Allocated Debt Amounts and Release*

Prices) of the Senior Facility Agreement with respect to the Asset to which such New Asset relates and which was the subject of such Credit Bid Restructuring Event, it being acknowledged and agreed by the Lender and the Obligors that to the extent that any Asset Residual Value remains with respect to an Asset following the occurrence of a Credit Bid Restructuring Event, no portion of the Allocated Debt Amount shall be attributable to such Asset Residual Value and such Asset Residual Value's Allocated Debt Amount shall be £0.

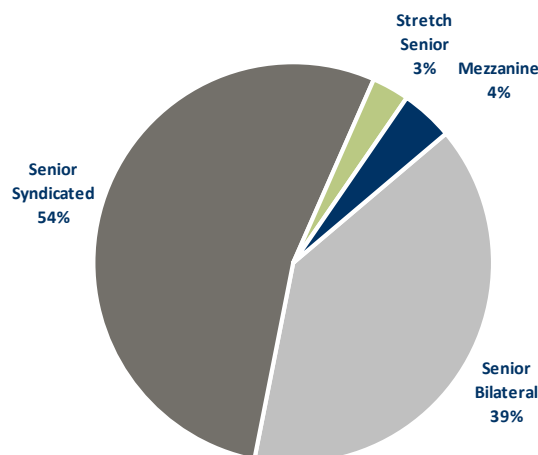
"**Reduced Release Price**" means in respect of a Property Loan (or following a Credit Bid Restructuring Event in relation to that Property Loan the related New Property Loans instead), the amount in Sterling specified for such Property Loan or New Property Loans (as applicable) in the table below, as the same may be reduced from time to time pursuant to the terms of the Senior Facility Agreement.

Connection ID	Asset⁴⁵	Allocated Debt Amount (£)	ADA Release Price (£)	Reduced Release Price (£)
1	PPH1 Property Loan	72,975,000	87,570,000	76,623,750
2	Alpha Property Loans	15,000,000	18,000,000	15,750,000
3	Colour Property Loans.....	39,500,000	47,400,000	41,475,000
4	Barchester Property Loan	25,000,000	30,000,000	26,250,000
5	Warner Estate Property Loan	49,985,000	59,982,000	52,484,250
6	Heathrow/V&A Property Loan	23,000,000	27,600,000	24,150,000
7	Toys "R" Us Property Loan.....	14,000,000	16,800,000	14,700,000
8	DFS Property Loan	35,650,000	42,780,000	37,432,500
9	Prestbury Property Loan.....	39,000,000	46,800,000	40,950,000
10	London & Westcountry Property Loans	24,660,000	29,592,000	25,893,000
11	Marlow Property Loan.....	32,000,000	38,400,000	33,600,000
12	Multi-Southgate Property Loan.....	30,000,000	36,000,000	31,500,000
13	Urban Splash Property Loan	22,800,000	27,360,000	23,940,000
14	Mapeley Property Loan	16,300,000	19,560,000	17,115,000
15	Structadene Property Loans.....	19,920,000	23,904,000	20,916,000
16	Falcon Property Loan	19,000,000	22,800,000	19,950,000
17	Primepanel Property Loan	15,900,000	19,080,000	16,695,000
18	Bravo Property Loan	13,955,000	16,746,000	14,652,750
19	Beaucette Property Loan	5,490,000	6,588,000	5,764,500
20	Pimlico Property Loan.....	600,000	720,000	630,000
21	Barracuda Property Loan.....	6,180,000	7,416,000	6,489,000
22	Kingswood Property Loan.....	500,000	600,000	525,000
23	Craighurst Property Loan	8,400,000	10,080,000	8,820,000
24	Charlie Property Loan	7,900,000	9,480,000	8,295,000
25	Rivlin ABP Property Loan	5,300,000	6,360,000	5,565,000
26	Delta Property Loan.....	4,900,000	5,880,000	5,145,000
27	Caspar Property Loan	1,500,000	1,800,000	1,575,000
28	Echo Property Loan	2,500,000	3,000,000	2,625,000
29	Rivlin Property Loan	1,217,242	1,460,691	1,278,104
30	Trustees of the Sugar Mill Property Loan...	140,000	168,000	147,000
	Total	553,272,242	663,926,691	580,935,854

⁴⁵ Calculated on an aggregated basis in respect of Connected Loans.

Details of the Allocated Debt Amounts based on the tranche type of the underlying Property Loans are set out in Figure 1 below.

FIGURE 1: Allocated Debt Amount by Tranche Type



Tranche Type	Utilisation	ADA Release Price Allocation
	(£m)	(£m)
Senior Bilateral.....	432	217
Senior Syndicated.....	496	298
Stretch Senior.....	104	16
Mezzanine.....	326	23
Total	1,358	553

Figure 1 illustrates that approximately 93 per cent. of the Allocated Debt Amount is assigned to senior bilateral or senior syndicated tranches in the Property Loan Portfolio. For the calculations in Figure 1 above, the Allocated Debt Amount is applied sequentially to all tranches for each Property Loan in the Property Loan Portfolio.

WorkoutCos/Additional Guarantors

Where an Asset is in the course of being restructured (including pursuant to a Credit Bid Restructuring Event) and as part of that restructuring shares, warrants or other rights to the income and/or profits in an Asset Level Obligor or New Asset Level Obligor ("**Equity Residuals**") may be created in favour of the Borrower in its capacity as a lender in relation to the relevant Asset or New Asset. A company (an "**Asset WorkoutCo**") will be incorporated by Intermediate HoldCo (or Loan Capital Limited or an existing WorkoutCo will be used) to purchase that Asset and any related Equity Residual or make that New Asset (as applicable) prior to the creation of the relevant Equity Residual in order to ensure that the tax status of the Borrower is maintained and **provided that:** (a) the acquisition is consistent with the terms of the WorkoutCo Protocol (see "*Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Undertakings – WorkoutCo Protocol*"); and (b) each Asset WorkoutCo accedes as a guarantor to the Senior Facility Agreement.

WorkoutCos may also be incorporated by Intermediate HoldCo to purchase an Asset Level Property on the enforcement of any Asset Level Security or (if applicable) any New Asset Level Security over that Asset Level Property (each a "**REO Property WorkoutCo**") **provided that:** (a) the acquisition is consistent with the terms of the WorkoutCo Protocol (see "*Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Undertakings – WorkoutCo Protocol*"); (b) each REO Property WorkoutCo accedes as a guarantor to the Senior Facility Agreement; (c) no Loan Event of Default shall have occurred which is continuing at the time of the acquisition; and (d) the relevant REO

Property WorkoutCo has provided all applicable documents and evidence detailed in the conditions precedent in the Senior Facility Agreement.

As at 9 August 2012, the Borrower has transferred (i) each of the Mapeley Property Loan, the Multi-Southgate Property Loan and the Empire Property Loan to Loan Capital Limited and (ii) certain Equity Residuals relating to the Beaucette Property Loan and the Pimlico Property Loan to Loan Capital Limited.

Asset/REO Property Consideration Loans

Pursuant to the terms of the Senior Facility Agreement other lenders (each an "**Asset/REO Property Consideration Loan Lender**") may make further loans (each a "**Asset/REO Property Consideration Loan**") to the Borrower in order to enable the Borrower to on-lend to any WorkoutCo an amount up to the consideration payable by a WorkoutCo for the acquisition of an Asset or REO Property on terms consistent with the WorkoutCo Protocol (see "*Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Undertakings – WorkoutCo Protocol*").

The making of any Asset/REO Property Consideration Loan is subject to the satisfaction of certain conditions by the Borrower, including: (i) approval of the proposed terms of any Asset/REO Property Consideration Loan by the credit committee of each Asset/REO Property Consideration Loan Lender and (ii) each relevant Asset/REO Property Consideration Loan Lender being satisfied that each Asset/REO Property Consideration Loan will be repaid by the Borrower on the same day that it is advanced.

Any Asset/REO Property Consideration Loans will form part of the Senior Debt but any such loans or any commitments to make such loans will not be transferred by any Asset/REO Property Consideration Loan Lender to the Issuer. Any Asset/REO Property Consideration Loans will be repayable to the relevant Asset/REO Property Consideration Loan Lender(s) on the same day that they are advanced and can only have an availability period of up to 5 business days. No interest (other than any default interest in relation to any non-payments) will accrue on the Asset/REO Property Consideration Loans and any fee payable to a Asset/REO Property Consideration Loan Lender in relation to a Asset/REO Property Consideration Loan may only be funded from monies standing to the credit of the Borrower's Management Account.

Credit Bid Restructuring Events and New Property Loans

On the occurrence of a Credit Bid Restructuring Event the Borrower or any relevant Asset WorkoutCo may enter into a New Property Loans with the relevant New Asset Level Obligor provided that:

- (f) the entry into the New Property Loans is consistent with the then current Business Plan for the relevant Property Loan and it is conducted in accordance with the terms of the Management Agreement and the WorkoutCo Protocol (as applicable);
- (g) the Borrower or the relevant WorkoutCo has satisfied certain conditions precedent set out in the Senior Facility Agreement; and
- (h) no Loan Event of Default is continuing at the time of the Credit Bid Restructuring Event or would result from the entry into the New Property Loans and the occurrence of the associated Credit Bid Restructuring Event.

"**New Asset Level Finance Documents**" means, in respect of any New Asset, each finance document relating thereto, including documents of the type set forth in the definition of "**Asset Level Finance Document**" (but relating to a New Asset rather than an Asset).

"**New Asset Level Obligor**" means any obligor under any New Asset Level Finance Documents.

"**New Property Loans**" means any loan made by the Borrower or an Asset WorkoutCo (as applicable), as a lender, to a New Asset Level Obligor in order to fund the acquisition of one or more Asset Level Obligor Transferred Assets by that New Asset Level Obligor in relation to a Credit Bid Restructuring Event.

Guarantee

The Borrower's performance of its obligations under the Senior Facility Agreement is guaranteed by the Guarantors.

In particular, the Borrower and each other Guarantor, jointly and severally, irrevocably and unconditionally:

- (a) guarantees to each Senior Finance Party punctual performance by the Borrower and each other Guarantor of all of the Borrower's and each other Guarantors' obligations under the Senior Finance Documents;
- (b) undertakes with each Senior Finance Party that whenever the Borrower and any other Guarantor does not pay any amount when due under or in connection with any Senior Finance Document, that Guarantor shall immediately on demand by the Senior Agent pay that amount as if it was the principal obligor; and
- (c) agrees with each Senior Finance Party that if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal it will, as an independent and primary obligation, indemnify that Senior Finance Party immediately on demand against any cost, loss or liability it incurs as a result of the Borrower or any other Guarantor not paying any amount which would, but for such unenforceability, invalidity or illegality, have been payable by it under any Senior Finance Document on the date when it would have been due.

Gross-Up on Deduction or Withholding by the Borrower and the Guarantors

All payments made by the Borrower or, as the case may be, a Guarantor to any Senior Lender pursuant to the Senior Facility Agreement will be made without any deduction or withholding for or on account of tax unless required by law. If the Borrower or, as the case may be, a Guarantor is required to make any payment to the Issuer subject to any tax deduction or withholding, the amount of the payment due from the Borrower or, as the case may be, a Guarantor shall (subject to certain conditions being met) be increased to an amount which (after making any deduction or withholding for or on account of tax) leaves an amount equal to the payment which would have been due if no deduction or withholding for or on account of tax had been required.

Representations and Warranties

Representations – general

The Senior Facility Agreement contains various representations made to each Senior Finance Party by each Obligor on the date of the Senior Facility Agreement and, subject to certain exceptions, on the Utilisation Date and which, subject to certain exceptions, are deemed to be repeated on each Loan Payment Date (and, in certain circumstances on the delivery of certain information under the Senior Facility Agreement). The representations given by each Obligor include the following, subject, in each case to specific terms set out in the Senior Facility Agreement:

- (a) it is a limited liability company, duly incorporated and validly existing under the laws of the jurisdiction of its incorporation and it has the power to own its assets and carry on its business as it is being conducted;
- (b) its centre of main interest is in its jurisdiction of incorporation and it has no establishment in any other jurisdiction;
- (c) subject to the Legal Reservations, the obligations assumed by it in each Senior Finance Document are legal, valid, binding and enforceable obligations (subject to due registration, filing and other perfection requirements in the case of the Borrower Security Documents), each Borrower Security Document validly creates a first ranking security of the type described, and over the assets to which it is expressed to apply and the entry into and performance by it of the transactions contemplated by the Senior Finance Documents do not and will not conflict with any applicable law or regulation, its constitutional documents or (to the extent or in a manner that has or would reasonably be expected to result in a Material Adverse Effect) any agreement or

instrument binding on it or any of its assets or constitute a default or termination event (howsoever described) under any such agreement or instrument;

- (d) it has the power to enter into, perform and deliver, and has taken all necessary action to authorise the entry into, performance and delivery of the Senior Finance Documents to which it is a party and the transactions contemplated by those Senior Finance Documents;
- (e) subject to the Legal Reservations, all authorisations required in order to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Senior Finance Documents or to make the Senior Finance Documents admissible in evidence in each relevant jurisdiction have been obtained or effected and remain in full force and effect;
- (f) the choice of governing law of each of the Senior Finance Documents will be recognised and enforced in each relevant jurisdiction and any judgement obtained in relation to a Senior Finance Document in the jurisdiction of the governing law of any Senior Finance Document will be recognised and enforced in each relevant jurisdiction;
- (g) subject to the Legal Reservations, it is not necessary under the laws of any relevant jurisdiction for the Senior Finance Documents be filed, recorded or enrolled with any court or other authority in that jurisdiction or for any stamp duty, stamp duty land tax, registration, notarial or similar tax or fee be paid on or in relation to the Senior Finance Documents or the transactions contemplated by the Senior Finance Documents (save that stamp duty land tax may be payable in relation to the enforcement of any Borrower Transaction Security created pursuant to the Senior Finance Documents);
- (h) no Loan Event of Default is continuing and no other event or circumstance is outstanding (other than an Insolvency Event in relation to any Senior Finance Party) which constitutes (or with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing, would constitute) a default or termination event (however described) under any Borrower Transaction Document (subject to some exceptions) or any other agreement or instrument which is binding on it or to which its assets are subject other than any Asset Level Finance Document or New Asset Level Finance Document which would reasonably be expected to result in a Material Adverse Effect;
- (i) the Borrower is not in default of any of its obligations in relation to its Assets or New Assets (except where the relevant default does not materially and adversely affect the interests of the lenders under the Senior Finance Documents);
- (j) and as far as it is aware, the Designated Trustees are not in default of their obligations in relation to any of the Originator Trust Assets or under the trust constituted in accordance with the Declaration of Trust Deed except where the relevant default does not materially and adversely affect the interests of the lenders under the Senior Finance Documents);
- (k) entry into the Asset Loan Sale Agreement and the Declaration of Trust Deed by the Borrower does not constitute a material default, a termination event (however described) or a breach of the alienation provisions (however described) under any Asset Level Finance Document;
- (l) entry into the Asset Loan Sale Agreement and the Declaration of Trust Deed by the Borrower does not restrict or adversely affect in a material manner, the ability of the Borrower to enforce its rights under (or in connection with) any of the Asset Level Finance Documents;
- (m) (having made due enquiry about the veracity of the information appropriate and consistent for entities of a similar nature to the Obligors acting on transactions similar to those contemplated by the Borrower Transaction Documents) any factual information supplied by an Obligor to the Senior Finance Parties in relation to the Borrower Transaction Documents and to any report provider in connection with the preparation of any report prepared after the Utilisation Date of the Senior Loan is, in each case, true, complete and accurate in all material respects as at the date it was given and is not misleading in any material respect and no Obligor has knowingly withheld any information which, if disclosed, would make any of factual information misleading in any material respect;

- (n) any opinions, forecasts and projections made by or on behalf of the Obligors in the Business Plans have been prepared as at their date taking into account relevant recent historical information in the Obligors' possession and on assumptions believed by the relevant Obligor to be fair and reasonable;
- (o) to the best of the Borrower's knowledge, on the basis of certain insolvency searches undertaken on or before the Utilisation Date of the Facility no Asset Level Obligor was insolvent or the subject of a winding-up order in each case as at the date and time on which the relevant insolvency searches were carried out;
- (p) to the best of the Borrower's knowledge no New Asset Level Obligor was insolvent or the subject of a winding-up order in each case as at the date that each New Asset Level Obligor enter into each New Asset Level Finance Document;
- (q) the Borrower has not received (and does not have actual knowledge of any Designated Trustee having received) any notice and is not otherwise aware that the Assets or any New Assets or any portion thereof or any guarantees or Asset Level Security relating thereto or any of the Asset Level Finance Documents or New Asset Level Finance Documents are subject to any loan claim impairment that would be reasonably likely to result in a Material Adverse Effect;
- (r) so far as the Borrower is aware, none of the terms of any transfer agreement under which it acquired the Assets or any part thereof has the effect of limiting the scope of, or otherwise reserving to its immediate predecessor-in-title, any of the ancillary rights assigned by such predecessor-in-title to it where such limitation or reservation (as applicable) would be reasonably likely to result in a Material Adverse Effect;
- (s) other than the Asset Level Finance Documents and the New Asset Level Finance Documents, there are no other material documents executed by the Borrower which would materially and adversely affect its Assets or New Assets or its obligations in its capacity as lender under the Asset Level Finance Documents and the New Asset Level Finance Documents and it has not executed any material amendments, supplements, accessions, waivers or variations to the applicable Asset Level Finance Documents or New Asset Level Finance Documents which have not also been executed by the lenders who are party to the relevant Asset Level Finance Documents or New Asset Level Finance Documents generally;
- (t) other than in connection with implementing the Business Plans or the Management Agreement (or as otherwise permitted under the Senior Facility Agreement), none of the material provisions of the Asset Level Finance Documents have since the date of the Senior Facility Agreement been waived, altered or modified other than any variation specifically permitted by the Asset Level Finance Documents or any amendment that does not materially and adversely affect the interests of the lenders under the Senior Finance Documents;
- (u) other than in connection with implementing the Business Plans or the Management Agreement (or as otherwise permitted under the Senior Facility Agreement), none of the material provisions of the New Asset Level Finance Documents have since the date that were entered into been waived, altered or modified other than any variation specifically permitted by the New Asset Level Finance Documents or any amendment that does not materially and adversely affect the interests of the lenders under the Senior Finance Documents;
- (v) subject to certain disclosures the charges by way of legal mortgage in respect of the Asset Level Properties granted by the Asset Level Obligors under the relevant Asset Level Mortgage Security Documents constitute first priority mortgages or (as the case may be) standard securities of the relevant Asset Level Properties save in respect of an Asset Level Property or Asset Level Properties, the absence of first ranking security over which, does not materially and adversely affect the value of the relevant Asset;
- (w) subject to certain disclosures the charges by way of legal mortgage in respect of the Asset Level Properties granted by the New Asset Level Obligors under the relevant New Asset Level Mortgage Security Documents constitute at least the equivalent priority mortgages or (as the case may be) standard securities of the relevant Asset Level Properties as were in existence on 21 December 2011 save in respect of an Asset Level Property or Asset Level Properties, the absence

of first ranking security over which, does not materially and adversely affect the value of the relevant New Asset;

- (x) subject to certain disclosures and as far as the Borrower is aware, the Asset Level Security granted by the Material Asset Level Obligors under the Asset Level Security Documents (other than the Asset Level Mortgage Security Documents and any non-material Asset Level Security Document) have first ranking priority and, if the provisions of section 395 of the Companies Act 1985 (or, as applicable, section 860 of the Companies Act 2006) apply (or any other similar provision in an applicable jurisdiction), that Asset Level Security has been registered in accordance with the provisions of Section 395 of the Companies Act 1985 (or, if applicable, Section 860 of the Companies Act 2006 or any other similar provision in any applicable jurisdiction), unless failure to deliver the relevant particulars of that Asset Level Security to the Registrar of Companies in England and Wales (or applicable register in the applicable jurisdiction) (or, as applicable, the absence of first ranking security over which) does not materially and adversely affect the value of the relevant Asset;
- (y) subject to certain disclosures and as far as the Borrower is aware, the New Asset Level Security granted by the Material Asset Level Obligors under the New Asset Level Security Documents (other than the New Asset Level Mortgage Security Documents and any non-material New Asset Level Security Document) have at least the equivalent ranking priority as at 21 December 2011 and, if the provisions of section 395 of the Companies Act 1985 (or, as applicable, section 860 of the Companies Act 2006) apply (or any other similar provision in an applicable jurisdiction), that New Asset Level Security has been registered in accordance with the provisions of Section 395 of the Companies Act 1985 (or, if applicable, Section 860 of the Companies Act 2006 or any other similar provision in any applicable jurisdiction), unless failure to deliver the relevant particulars of that New Asset Level Security to the Registrar of Companies in England and Wales (or applicable register in the applicable jurisdiction) (or, as applicable, the absence of first ranking security over which) does not materially and adversely affect the value of the relevant New Asset;
- (z) its original financial statements were prepared in accordance with IFRS consistently applied and fairly represent its financial condition and operations during the relevant financial year unless, in each case, expressly disclosed to the Senior Agent in writing to the contrary;
- (aa) its payment obligations under the Senior Finance Documents rank at least *pari passu* with the claims of all other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally;
- (bb) no litigation, arbitration or administrative proceeding of or before any court, arbitral body or agency has (to the best of its knowledge and belief) been started against it (or against its directors) which is reasonably likely to be adversely determined against that Obligor or its assets and if so adversely determined would reasonably be expected to have a Material Adverse Effect (other than any proceedings that relate to the exercise by an Obligor, a Designated Trustee or any former finance party under any Asset Level Finance Documents of its rights under the Asset Level Finance Documents);
- (cc) no Obligor has traded or carried on any business since its formation other than: in the case of Intermediate HoldCo owning the shares in each other Obligor; in the case of the Borrower conducting the business of owning the Assets or New Assets; in the case of each REO Property WorkoutCo owning its REO Property or REO Properties; in the case of each Asset WorkoutCo owning its Asset(s) and/or New Asset(s) and in the case of EquityCo owning any Equity Residual relating to the Mapeley Asset or the Heathrow/V&A Asset (if any) and its Asset(s) and/or New Asset(s) and, in each case, related activities consistent with the Senior Finance Documents;
- (dd) no Obligor nor any of its subsidiaries is or has at any time been an employer of an occupational pension scheme which is not a money purchase scheme and no Obligor nor any of its Subsidiaries are "connected" with or an "associate" of such an employer;
- (ee) no Obligor owns or has ever owned any property or interest in a property other than in the case of each REO Property WorkoutCo any REO Property or REO Properties that it owns in accordance

with the WorkoutCo Protocol and the terms of the Senior Facility Agreement (see "*Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Undertakings – WorkoutCo Protocol*");

- (ff) no Obligor has or has ever had any employees;
- (gg) no Obligor owns directly or indirectly, legally or beneficially, any investments in any unlimited company, partnership or other entity with unlimited liability;
- (hh) no Obligor has any liabilities (whether actual or contingent) other than: (i) under the Borrower Transaction Documents; (ii) arising as a result of its ownership and/or occupation of any REO Property; (iii) pursuant to any permitted financial indebtedness; (iv) arising under the Asset Level Finance Documents or any New Asset Level Finance Documents; (v) in connection with implementing the Business Plans in accordance with the terms of the Management Agreement; or (vi) any tax arising from transactions carried out pursuant to or as contemplated by the Borrower Transaction Documents;
- (ii) it is not required under United Kingdom law or elsewhere to make any deduction or withholding for or on account of tax from any payment it may make under any Senior Finance Document to a Senior Lender which is a qualifying lender;
- (jj) it has duly and punctually paid and discharged all taxes imposed upon it or its assets within the time period allowed without incurring interest or penalties (save to the extent that the payment is being contested in good faith, it has maintained adequate reserves for the payment of such taxes and the payment can be lawfully withheld);
- (kk) it is not materially overdue in the filing of any tax returns;
- (ll) other than in the case of the Originator Trust Assets, each Obligor is the legal and beneficial owner of, and has good and marketable title to, each of its assets which are expressed to be the subject of the Borrower Transaction Security, in each case free from any Security other than security permitted under the terms of the Senior Facility Agreement;
- (mm) in the case of the Originator Trust Assets, each Designated Trustee holds (other than the Originator Trust Bilateral Security Assets) each of the Originator Trust Assets on trust absolutely for the Borrower (and the Originator Trust Bilateral Security Assets, on trust absolutely for the Borrower and the Asset Existing Swap Provider) under and subject to the terms of the Declaration of Trust Deed;
- (nn) the Borrower is: (i) (other than in respect of the Originator Trust Bilateral Security Asset), the sole beneficial owner of the Originator Trust Asset; and (ii) and together with the Asset Existing Swap Provider, the beneficial owner of the Originator Trust Bilateral Security Asset, in each case under and subject to the terms of the Declaration of Trust Deed free and clear from any security other than as permitted by the Senior Facility Agreement;
- (oo) no security exists over all or any of the present or future assets of the Obligors except as permitted under the Senior Facility Agreement, the Borrower Transaction Security has or will have first ranking priority and is not subject to any prior ranking or *pari passu* ranking security except as permitted under the Senior Facility Agreement, each Borrower Security Document to which it is a party validly creates the security which is expressed to be created by that Borrower Security Document;
- (pp) all of the shares which are expressed to be subject to the Borrower Transaction Security are fully paid and are not subject to any option to purchase or similar rights and the constitutional documents of companies whose shares are subject to the Borrower Transaction Security do not and could not by their terms restrict or inhibit any transfer of those shares on creation or on enforcement of the Borrower Transaction Security; and
- (qq) the entire issued share capital of the Borrower, Loan Capital Limited and EquityCo is legally and beneficially owned and controlled by Intermediate HoldCo, the entire issued share capital of Intermediate HoldCo is legally and beneficially owned and controlled by HoldCo, the entire issued share capital of Intermediate HoldCo is legally and beneficially owned and controlled by

Mezzanine Borrower HoldCo, the entire issued share capital of Mezzanine Borrower HoldCo is legally and beneficially owned and controlled by HoldCo and the entire issued share capital of HoldCo is legally and beneficially owned and controlled 74.99 per cent. by RBS and 25.01 per cent. by certain specified Blackstone Affiliates.

There are also a number of representations made by the Borrower under the Senior Facility Agreement relating to the ownership of the Asset Level Properties by the Asset Level Obligor and the validity and enforceability of the Asset Level Finance Documents. These representations are considered to be the most significant or the core representations and warranties in the context of the transaction (the "**Core Representations**"). These Core Representations are broadly equivalent to the Core Warranties made by each Asset Seller under the Asset Loan Sale Agreement and set out in the section "*Borrower Asset Sale Documents – Asset Loan Sale Agreement – Core Warranties relating to the Assets*". If there is a breach of a Core Representation pursuant to the terms of the Asset Loan Sale Agreement the relevant Asset Seller is required to pay to the Borrower an amount equal to the Core Representation Prepayment Amount. On receipt of any Core Representation Prepayment Amount the Borrower must use such monies to prepay the Senior Loan. See "*Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Prepayment and Cancellation – Core Representations*".

With respect to any New Assets, the relevant Obligor also makes representations under the Senior Facility Agreement relating to the ownership of any relevant Asset Level Property by the relevant New Asset Level Obligor and the validity and enforceability of the New Asset Level Finance Documents.

Consequences of a breach of Core Representation

If there is a breach of a Core Representation pursuant to the terms of the Asset Loan Sale Agreement the relevant Asset Seller is required to pay to the Borrower an amount equal to the Core Representation Prepayment Amount. On receipt of any Core Representation Prepayment Amount the Borrower must use such monies to prepay the Senior Loan. See "*Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Prepayment and Cancellation – Core Representations*".

If the Senior Loan is accelerated, the Senior Agent may (and shall if directed to do so by the Senior Majority Lenders) require the Borrower to exercise an Asset Put Option contained in the Asset Loan Sale Agreement in relation to any Asset in relation to which a mandatory prepayment event has occurred as a result of a breach of one of the Core Representations to put such Asset back to the relevant Asset Seller. See "*Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Asset Loan Sale Agreement – Core Warranties relating to the Assets*".

Undertakings – information undertakings

The Obligor's Agent (and with respect to certain of the information undertakings, the Obligor) has given various undertakings under the Senior Facility Agreement to supply information. These undertakings generally include the following (subject in each case to the specific terms set out in, or represented by, the Senior Facility Agreement):

- (a) to supply to the Senior Agent the audited (and unaudited) consolidated financial statements and the audited (and unaudited) financial statements of each Obligor for the relevant accounting period (or half year, in the case of the unaudited financial statements) as soon as they are available, but in any event within 120 days in respect of the audited financial statements (or 75 days in respect of the unaudited financial statements) after the end of each of its accounting periods (or half years in respect of the unaudited financial statements) beginning with its accounting period ending on 31 December 2012 in respect of the audited financial statements and the half year ending 30 June 2012 in respect of the unaudited financial statements;
- (b) to supply to the Senior Agent (i) on a quarterly basis, with an asset quarterly report (the "**Asset Quarterly Report**") for the previous quarter covering, amongst other things, written notices with respect to the bankruptcy, liquidation, winding up, receivership, administration or dissolution of any Asset Level Obligor or New Asset Level Obligor, details of the interest cover ratio history, details of the repayment target history, current balances of the Borrower and WorkoutCo Control Accounts and key information relating to the Assets and any New Assets including new valuations obtained or received and details of any enforcement or restructuring steps taken in respect of any Assets and New Assets and CMSA reporting template information; and (ii)

promptly on the production of each update to any Business Plan in accordance with the terms of the Management Agreement, a copy of such update;

- (c) to supply on request to the Senior Agent copies of any amendments, restatements, waivers and consents executed by it in connection with the Asset Level Finance Documents and New Asset Level Finance Documents entered into by it after the date of the Senior Facility Agreement (in accordance with the provisions of the Senior Facility Agreement) in connection with the Asset Level Finance Documents and New Asset Level Finance Documents;
- (d) to supply to the Senior Agent a Compliance Certificate (signed by a director of the Obligors' Agent) on the date falling two Business Days prior to each Loan Payment Date or on the date of any prepayment of the Senior Loan;
- (e) to supply to the Senior Agent two Business Days before each Loan Payment Date (and on second Business Day following the delivery of bank statements for the Borrower and WorkoutCo Control Accounts) a distribution worksheet (a "**Distribution Worksheet**") which sets out, details of, amongst other things, all amounts received by the Borrower from the Asset Level Obligors and New Asset Level Obligors (and what those amounts represent), details of permitted payments, details of Disposals of Assets and New Assets, details of costs and expenses paid or payable and proposed distributions from the Borrower and WorkoutCo Control Accounts on the following Loan Payment Date. The Senior Agent and the Obligors' Agent must work together to agree the Distribution Worksheet but the Senior Agent's determination shall be final in the absence of manifest error;
- (f) to supply to the Senior Agent (i) all documents dispatched by any Obligor to its creditors generally at the same time as they are dispatched; (ii) promptly upon becoming aware of them, the details of any litigation, arbitration or administrative proceedings which are current, threatened in writing or pending against any Obligor (or against its directors) and which would, if adversely determined, reasonably be expected to have a Material Adverse Effect; and (iii) promptly, such further information regarding the financial condition, business and operations of any Obligor, the assets which are the subject of the Borrower Transaction Security and compliance with the terms of the Borrower Security Documents and any information needed to verify the calculations made in each Compliance Certificate and the information in each Distribution Worksheet, as any Senior Finance Party (through the Senior Agent) or the Borrower Security Trustee may reasonably request;
- (g) to notify the Senior Agent of any Loan Event of Default (and the steps being taken to remedy it) promptly upon becoming aware of its occurrence (unless the Obligor is aware that a notification has already been provided by another obligor). Such a certificate must also be supplied on request by the Senior Agent (but a request may not be made more than twice in any Loan Interest Period); and
- (h) to promptly upon the request of the Senior Agent or any Lender following a change in circumstances (including a change in law, accession of a guarantor, the assignment or transfer of the Senior Loan) supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Senior Agent for the purposes of "know your customer" or other similar checks.

Undertakings – General

Each Obligor has given various undertakings under the Senior Facility Agreement which will take effect so long as any amount is outstanding under the Senior Loan Facility or any commitment is in place. These undertakings include the following (subject in each case to the specific terms, concessions and qualifications set out in, or represented by, the Senior Facility Agreement):

- (a) to obtain, comply with and do all that is necessary to maintain in full force and effect any authorisation required under any law or regulation of any jurisdiction to enable it to perform its obligations under the Borrower Transaction Documents to which it is a party and to ensure the legality, validity, enforceability (subject to the Legal Reservations) or admissibility in evidence in each relevant jurisdiction of any Borrower Transaction Document, **provided that** in the case of any Affiliated Mezzanine Finance Documents or mezzanine related finance documents, each

Obligor shall only be required to comply with these provisions to the extent that any failure to do so would result in a Material Adverse Effect;

- (b) to comply in all respects with all laws to which it, any Asset, any New Asset or any other asset which is the subject of the security created pursuant to the Borrower Security Documents may be subject, the failure to comply with which would reasonably be expected to have a Material Adverse Effect;
- (c) not to create or permit to subsist any security over the whole or any part of its assets, other than security permitted under the Senior Facility Agreement;
- (d) not to be a creditor in respect of any financial indebtedness, incur or have outstanding any financial indebtedness to any affiliate of an Obligor, incur or have outstanding any financial indebtedness to any other person or pay or discharge or grant any guarantee, indemnity, bond, letter of credit or similar assurance against financial loss in support of, any indebtedness owed by it or any other person except for the benefit of a Senior Finance Party under the Senior Finance Documents or as otherwise permitted under the Senior Facility Agreement (including the Junior Debt and the Mezzanine Debt);
- (e) not to incur any obligation to make loans or advances or other extensions of credit or provide any other facility or financial accommodation under or in accordance with any Asset Level Loan Agreement or New Asset Level Loan Agreement relating to any New Asset or incur liabilities or obligations in respect of the Assets other than facility expenses, financial indebtedness permitted under the terms of the Senior Facility Agreement in connection with implementing the Business Plans and the Management Agreement, funding undrawn commitments under the Asset Level Loan Agreement or loan agreement relating to that New Asset and any funding costs and expenses (up to £3,000,000) incurred with respect to the Multi-Southgate Property in relation to the completion of the development;
- (f) not to acquire or allow to be transferred to it any assets other than (i) those which are necessary for the performance of its obligations; (ii) otherwise permitted by the Senior Finance Documents; or (iii) in the ordinary course of business or in connection with implementing the Business Plans in accordance with the terms of the Management Agreement;
- (g) not to enter into any amalgamation, demerger, merger or corporate reconstruction;
- (h) not to be an employer of any occupational pension scheme which is not a money purchase scheme and not to be "connected" with or an "associate" of such an employer;
- (i) to take all reasonable and practical steps to preserve and enforce its rights and pursue any claims and remedies arising in respect of any reports;
- (j) not to carry on any business or incur any liabilities other than in the case of Intermediate HoldCo owning the shares in each other Obligor, in the case of the Borrower conducting the business of owning the Assets and any New Assets, in the case of each REO Property WorkoutCo owning its REO Property or REO Properties, in the case of each Asset WorkoutCo owning its Asset(s) and New Asset(s) and in the case of EquityCo owning any Equity Residual relating to the Mapeley Asset or Heathrow/V&A Asset (if any) or any Asset and/or New Asset (in each case) and related activities consistent with the Senior Finance Documents and, where applicable, the Business Plan);
- (k) to conduct its business in a reasonable and prudent manner and in accordance with its constitutional documents and the Senior Finance Documents;
- (l) to hold itself out as a separate entity and, amongst other things, maintain its accounts, books and records separately from any other person, maintain separate accounts and financial statements, not to commingle its assets with those of any other person, conduct its business in its own name, only enter into transactions in good faith for its own benefit, on arm's length terms and for full market value, discharge all obligations and liabilities due and owing by it from its own funds, ensure that any costs in relation to any shared premises are fairly and reasonably allocated, not acquire or allow to be transferred to it any obligations or securities of any of its shareholders and use its own stationery, invoices and cheque books;

- (m) no Obligor shall amend, vary, forego or waive any material provision, right or condition arising in or under the Borrower Transaction Documents or agree to do any of those things, without the prior written consent of the Senior Agent (acting on the instructions of the Senior Majority Lenders acting reasonably) except in accordance with the provisions of the Senior Facility Agreement, the Security Trust and Intercreditor Deed and (where applicable) in accordance with the third party mezzanine debt intercreditor deed;
- (n) to comply with its material obligations under the Borrower Transaction Documents to the fullest extent possible other than the Tax Deed, any Junior Finance Document, any Affiliated Mezzanine Finance Document and any mezzanine related finance document;
- (o) (unless delivered to the Senior Agent) to procure that all deeds and documents necessary to show good and marketable title to the Assets, any New Assets and any REO Property which come into the possession or control of any Obligor are held to the order to the Senior Agent (by solicitors) on terms acceptable to the Senior Agent;
- (p) to inform the Senior Agent of any change in any sub-delegate of the Asset Manager permitted by the terms of the Management Agreement and if requested by the Senior Agent, to procure that the new sub-delegate of the Asset Manager enters into a duty of care agreement in form and substance reasonably satisfactory to the Senior Agent (acting on the instructions of the Senior Majority Lenders);
- (q) not to permit its centre of main interests or any establishment to exist in any jurisdiction other than its jurisdiction of incorporation;
- (r) to maintain its tax residence solely in the place of its incorporation;
- (s) to ensure that all taxes payable by, or assessed upon, it are paid within the time period allowed except to the extent that they are contested in good faith and by appropriate means and an adequate reserve has been set aside with respect to the unpaid tax;
- (t) to ensure that no tax losses belonging to it or tax reliefs available to it are surrendered, waived or otherwise disposed of other than to another Obligor without the Senior Agent's prior written consent (acting on the instructions of the Senior Majority Lenders acting reasonably);
- (u) to ensure that no latent capital gains tax liability of any Obligor is triggered or realised, whether by reason of capital gains tax degrouping or for any other reason, other than a disposal of any asset in respect of which such liability arises that is permitted by the terms of the Senior Facility Agreement;
- (v) to procure that any adviser of an Obligor who is or would be a promoter for the purposes of the Finance Act 2004 shall make any disclosure required under that Act in respect of any notifiable proposal or arrangements to which the loan relates;
- (w) not to change its financial year end without the consent of the Senior Agent (acting on the instructions of the Senior Majority Lenders acting reasonably);
- (x) not to form or be a member of any VAT group other than with another Obligor;
- (y) without the prior written consent of the Senior Agent (acting on the instructions of the Senior Majority Lenders acting reasonably), not to exercise any option, election or discretion to transfer or otherwise dispose of all or part of any right to credit or repayment in respect of any VAT from the relevant tax authority;
- (z) other than any payments permitted under the Security Trust and Intercreditor Deed, not to declare or pay any dividends or interest on unpaid dividends or distributions, fees or expenses in the nature of or intended to act as a distribution to any of its members or make any payments in respect of financial indebtedness owed to any of its shareholders in that capacity;
- (aa) not to redeem, repurchase, defease, retire or repay any of its share capital, or resolve to do so, or issue any stock, share, debenture or other securities to any person other than shares issued to another Obligor if any such shares are or immediately become subject to valid and binding fixed

security under a Senior Finance Document in favour of the Borrower Security Trustee, or subscribe for or otherwise acquire any stock or share which is only partly paid up or in respect of which the company which issued that stock or share has any call or lien;

- (bb) to promptly pay all calls or other payments which may be or become due in respect of any shares held by it and shall not appoint any third party nominee to exercise any members' rights or information rights in relation to any shares held by it;
- (cc) to ensure that at all times, one independent director is appointed to the board of directors of the Borrower and each WorkoutCo solely for the purposes of voting in case of a directors' petition to wind up the company; and
- (dd) not to permit any material amendment to any Asset or New Asset (including any Credit Bid Restructuring Event) or release the whole or any part of any Asset Level Security or New Asset Level Security (each a "**Material Amendment**") unless (i) such Material Amendment does not materially and adversely affect the value or the relevant Asset or New Asset and materially adversely affect the interest of the Senior Lenders under the Senior Finance Documents; or (ii) in the case of any release of the whole or any part of any Asset Level Security or New Asset Level Security effected in relation to a Credit Bid Restructuring Event such security is promptly replaced by new security which is in substance similar or better than the security that is being released; or (iii) such Material Amendment is with the prior written consent of the Senior Agent (acting on the instructions of the majority Senior Lenders acting reasonably); or (iv) any Obligor is unable to prevent such Material Amendment from happening through the exercise of legal rights, having taken all commercially reasonable steps (excluding the commencement of litigation) within its control to try to prevent such Material Amendment.

Undertakings – Disposals

No Obligor shall enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary, to sell, lease, transfer or otherwise dispose of the whole or any part of its assets, without the consent of the Senior Agent.

The Senior Agent will be deemed to have consented to a disposal of an Asset, New Asset or REO Property if: (a) no Loan Event of Default is continuing or would result from the disposal; (b) the disposal is on arm's length terms; (c) the disposal is consistent with the relevant Business Plan and conducted in accordance with the terms of the Management Agreement; (d) Realisation Proceeds in the minimum amount specified in the paragraph entitled "*Net Realisation Proceeds*" are paid into the Realisation Proceeds Account; and (e) the aggregate amount of all Realisation Proceeds Shortfall Amounts does not exceed £25,000,000.

The Senior Agent will also be deemed to have consented to any disposal of any Asset Residual Value if: (a) no Loan Event of Default is continuing; (b) the disposal is consistent with the relevant Business Plan and conducted in accordance with the terms of the Management Agreement; and (c) the Realisation Proceeds are paid into the Realisation Proceeds Account.

Furthermore the Senior Agent will also be deemed to have consented to the disposal of an Asset or New Asset if: (a) such disposal is a Forced Asset Disposal; and (b) the proceeds of such disposal are paid into the Realisation Proceeds Account.

The disposal of an Asset in relation to a Credit Bid Restructuring Event is also permitted provided that the conditions relating to a Credit Bid Restructuring Event that are set out in the Senior Facility Agreement are met. (See "*Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Credit Bid Restructuring Events and New Property Loans*").

The disposal of certain specific Equity Residuals in relation to the Beaucette Property Loan and the Market (Pimlico) Asset is also permitted.

"Forced Asset Disposal" means any disposal of an Asset, New Asset or Asset Residual Value that the Borrower or any WorkoutCo has been unable to prevent from happening even though such disposal is not permitted under the Senior Facility Agreement, provided that such disposal shall not be deemed to be a "**Forced Asset Disposal**" unless the Borrower and each WorkoutCo has taken all possible steps within its control to prevent such disposal.

"Realisation Proceeds Shortfall Amount" means the difference between the Realisation Proceeds Repayment Amount for the relevant Asset and, if lower, the amount of the Senior Loan actually prepaid on the Disposal of the relevant Asset.

The Borrower may "top-up" the Realisation Proceeds received (so that a Disposal is deemed to be permitted) **provided that** the funds are not provided from any Borrower and WorkoutCo Control Account (other than the Borrower General Account).

Financial Undertakings in relation to the Senior Loan – Interest Cover Ratio

The Interest Cover Ratio is tested on each Loan Payment Date commencing on 10 July 2012 for the applicable Test Period and upon any prepayment of the Senior Loan after 10 July 2012. For the latter, the calculation is made for the relevant Test Period assuming that the prepayment had been made at the beginning of the relevant Test Period.

"Calculation Period" means:

- (a) in respect of the first Calculation Period, the period from (and including) the first Utilisation Date to (and including) the sixth Business Day prior to 10 April 2012; and
- (b) thereafter, the period from but excluding 5:00 p.m. on the third Business Day prior to a Loan Payment Date to and including 5:00 p.m. on the third Business Day prior to the next Loan Payment Date.

"Interest Cover Ratio" means, on any Loan Payment Date, the ratio of:

- (a) the Interest Income received by or on behalf of the Borrower during the Test Period immediately preceding the relevant Loan Payment Date;

to:

- (b) the Interest Expense paid or payable by or on behalf of the Borrower on that Loan Payment Date and the immediately preceding Loan Payment Date.

"Interest Expense" means:

- (a) the interest paid on the Senior Loan pursuant to the Senior Finance Documents; and
- (b) any payments paid to any Borrower Hedge Counterparty by the Borrower under the Senior Finance Documents (not being any amount payable as a result of a termination or closing out of all or any part of a Borrower Hedge Document (if any)).

"Interest Income" means:

- (a) the aggregate of:
 - (i) interest, scheduled amortisation and any other payments received pursuant to any full cash sweep of income arrangement under the Assets and New Assets owned by the Borrower or any Originator Trust Asset that the Borrower has an interest in pursuant to the Declaration of Trust Deed and/or under any WorkoutCo/Borrower Intercompany Loan;
 - (ii) interest income earned on the Borrower and WorkoutCo Control Accounts (other than any WorkoutCo Control Account and the Borrower General Account); and
 - (iii) any payments paid to the Borrower by any Borrower Hedge Counterparty under the Senior Finance Documents (not being any amount payable as a result of a termination or closing out of all or any part of a Borrower Hedge Document (if any));

less:

- (b) any General Permitted Payments paid pursuant to the paragraph (f) of "*Income Account – Pre-Material Event of Default*" and paragraph (g) of "*Income Account – Post-Material Event of Default*".

"**Test Period**" means either:

- (a) with respect to the Loan Payment Date falling on 10 July 2012, the period starting from and including the Utilisation Date to and including the date falling six Business Days prior to the Loan Payment Date immediately preceding 10 July 2012; or
- (b) on each other Loan Payment Date, the two Calculation Periods immediately preceding the relevant Loan Payment Date.

Financial Undertakings – consequences of breach

No Loan Event of Default will occur as a result of the Interest Cover Ratio failing to reach 1.25x on any number of Loan Payment Dates.

If the Interest Cover Ratio falls below 1.25x, certain funds standing to the credit of the Income Account and the Realisations Proceeds Account shall, on each Loan Payment Date falling on or after the first anniversary of the Utilisation Date, be credited to the Performance Test Cash Trap Account in an amount necessary to cure the breach (See "*Security Trust and Intercerditor Deed – Borrower and WorkoutCo Control Accounts – Performance Test Cash Trap Account*")

If the Interest Cover Ratio fails to reach 1.25x for two consecutive Test Periods, the monies standing to the credit of the Performance Test Cash Trap Account shall be applied in prepayment of the Senior Loan. See "*Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Repayment Shortfall Prepayments and ICR Prepayments*".

Undertakings – Mezzanine Debt

The Borrower gives certain other undertakings in respect of Mezzanine Debt, see the section entitled "*Mezzanine Funding*" for further information.

Undertakings – WorkoutCo Protocol

The WorkoutCo Protocol provides that (i) an Asset WorkoutCo may purchase Assets, (ii) an Asset WorkoutCo may enter into a New Asset and (iii) an REO Property WorkoutCo may purchase Asset Level Properties as part of the Borrower's and the Asset Manager's realisation strategy, subject, amongst others, to the following conditions:

- (a) the Borrower may lend money to the relevant Asset WorkoutCo or REO Property WorkoutCo (as applicable) for the purpose of funding the acquisition of the Asset or Asset Level Property (including the cost of discharging the security in the case of an REO Property), funding a New Asset, paying or reimbursing the costs and expenses associated with the acquisition (including stamp duty land tax) and funding any General Permitted Payments and Discretionary Permitted Payments in the case of a purchase of an Asset by an Asset WorkoutCo or General Property Protection Costs, Discretionary Permitted Payments and/or any Third Party Costs incurred by the REO Property WorkoutCo in connection with the relevant REO Property. These amounts may only be funded from certain specified Borrower and WorkoutCo Control Accounts or using the proceeds of Asset/REO Property Consideration Loans. (See "*Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Asset/REO Property Consideration Loans*");
- (b) the loan from the Borrower to an Asset WorkoutCo or REO Property WorkoutCo (as applicable) may only be made on the condition that the relevant Asset WorkoutCo or REO Property WorkoutCo may not sell the relevant Asset, New Asset or Asset Level Property (as applicable) without the prior consent of the Borrower;

- (c) the relevant Asset WorkoutCo or REO Property WorkoutCo will grant the following security to the Borrower in connection with the funding advanced by the Borrower: (i) a debenture over all of its assets and undertakings; (ii) a mortgage (or equivalent in the relevant jurisdiction), where applicable over all of its real property (in the case of an REO Property WorkoutCo only); (iii) a charge over any Borrower and WorkoutCo Control Accounts opened in its name; and (iv) a floating charge over all assets which are not subject to any fixed security in favour of the Borrower. The Senior Finance Parties will be granted a sub-charge over those assets;
- (d) any loan made by the Borrower to an REO Property WorkoutCo on a profit participating basis must be a "financial asset" for the purposes of the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296);
- (e) in relation to the purchase by an Asset WorkoutCo of an Asset, the transfer may be made on the basis that the relevant Asset WorkoutCo pays to the Borrower by way of deferred consideration an amount equal to 99 per cent. of the aggregate amount received and retained by the relevant Asset WorkoutCo (less expenses) following the Disposal of the Asset; and
- (f) any Asset may only be transferred to an Asset WorkoutCo or a New Asset entered into by an Asset WorkoutCo in anticipation of a restructuring which will result in the issuance of Equity Residuals.

Undertakings – Property

Each REO Property WorkoutCo will give various undertakings in the Senior Facility Agreement in respect of any REO Property held by it, including the following:

- (a) to diligently manage or procure the diligent management of its REO Property in accordance with the principles of good estate management and to a standard consistent with a prudent owner of properties similar to the relevant REO Property and in accordance with the Management Agreement and the then current Business Plan relating to that REO Property;
- (b) to comply in all material respects with the planning laws to which it or any REO Property may be subject, to observe and perform all material restrictive and other covenants, stipulations and obligations now or at any time affecting its REO Property, to duly and diligently enforce all restrictive or other covenants, stipulations and obligations materially benefiting its REO Property and not to waive, release or vary (or agree to do so) any material obligation of any other party thereto, to perform and comply with all environmental law, environmental permits and all other material covenants, conditions, restrictions or agreement directly or indirectly concerned with any contamination, pollution or waste or the release or discharge of any emission or substance capable of causing harm to any living organism or the environment, and to obtain and maintain any environmental permits and to take all reasonable steps in anticipation of known or expected future changes to or obligations under the same **provided that** an REO Property WorkoutCo shall not be in breach of any of the foregoing undertakings where its failure to comply with any of those undertakings does not result in a material impact on the prospects of achieving at least an amount equal to the ADA Release Price upon a disposal in full of the relevant Asset;
- (c) to take all such steps as may be necessary or desirable to enable the Borrower Transaction Security to be validly registered at any relevant land registry;
- (d) to use reasonable endeavours to diligently collect all rental income relating to its REO Property into the relevant Borrower and WorkoutCo Control Account;
- (e) to procure that each property manager is appointed by it enters into a duty of care agreement in form and substance satisfactory to the Senior Agent (acting on the instructions of the Senior Majority Lenders acting reasonably) and ensure that the terms of each property management agreement shall provide that, if a Material Event of Default is continuing or a notice has been served by the Senior Agent on the Obligor's Agent following enforcement action, the relevant REO Property WorkoutCo may terminate that property management agreement;
- (f) to observe and perform all covenants, stipulations and obligations on the lessee under any lease (where failure to do so is reasonably likely to result in the lessor taking steps to forfeit the lease), to use reasonable endeavours to enforce all material covenants on the part of the lessor under any

such lease, not do or permit anything under any such lease whereby a material risk arises that the lease may be forfeited, and to promptly notify the Senior Agent of any matter or event under or by reason of which any such lease has or is reasonably likely to become subject to determination or to the exercise of any right of re-entry or forfeiture and, if reasonably requested by the Senior Agent, to apply for relief against forfeiture;

- (g) to effect and maintain insurance with a Borrower Requisite Rating in respect of each REO Property, trade and other fixtures and fixed plant and machinery forming part of each REO Property including, where applicable, insurance against loss of rental income or prospective rental income for a period of not less than three years (or the remaining terms of the relevant occupational leases, if shorter) insurance in respect of terrorism and insurance against all third party and public liability risks, with the Senior Finance Parties co-insured and named as loss payee;
- (h) to punctually pay or cause to be paid and indemnify the Senior Agent on demand against all existing and future rents, taxes, fees, renewal fees, charges, assessments, impositions and outgoings which are payable in respect of its REO Property or any part thereof; and
- (i) supply to the Senior Agent the details of any environmental claim that has been commenced or threatened in writing against it and which would, if adversely determined, reasonably be expected to have a Material Adverse Effect.

"Material Adverse Effect" means any present or future event or circumstance which would be reasonably likely to have a material adverse effect on (a) the ability of any Obligor to perform and comply with its payment obligations under the Senior Finance Documents as they become due; (b) the validity or enforceability of the Senior Finance Documents; (c) the rights or remedies of any Senior Finance Party under the Senior Finance Documents; or (d) the validity or enforceability of the Management Agreement or the rights or remedies of the Borrower under the Management Agreement.

Property undertakings – cures

An REO Property WorkoutCo shall not be in breach of any of the undertakings specified in paragraph (b) of *"Undertakings – Property"* if its failure to comply does not result in a material impact on the prospect of achieving at least an amount equal to the ADA Release Price upon the Disposal in full of the Asset related to such applicable REO Property.

An REO Property WorkoutCo shall not be in breach of any of the undertakings specified in paragraph (b) of *"Undertakings – Property"* or paragraph (w) of *"Senior Loan Events of Default"* if within 60 Business Days of the Senior Agent notifying the Obligors' Agent or the Obligors' Agent becoming aware of the relevant breach, the REO Property or the shares of the REO WorkoutCo owning the relevant REO Property are disposed of in accordance with the terms of the Senior Facility Agreement.

Borrower and WorkoutCo Control Accounts

The Senior Facility Agreement provides that, amongst other things, the following accounts will be required to be opened and maintained by the Borrower with a designated branch of the Borrower Account Bank, having at least the Borrower Requisite Rating (the **"Borrower Control Accounts"**):

- (a) a current account designated the "AssetCo General Account" (the **"Borrower General Account"**);
- (b) a current account designated the "Cash Reserve Account" (the **"Cash Reserve Account"**);
- (c) a current account designated the "Future Funding Obligations Account" (the **"Future Funding Obligations Account"**);
- (d) a current account designated the "Permitted Payments Account" (the **"Permitted Payments Account"**);
- (e) a current account designated the "Management Account" (the **"Management Account"**);
- (f) a current account designated the "Income Account" (the **"Income Account"**);

- (g) a current account designated the "Performance Test Cash Trap Account" (the "**Performance Test Cash Trap Account**");
- (h) a current account designated the "Realisation Proceeds Account" (the "**Realisation Proceeds Account**");
- (i) a current account designated the "Repayment Shortfall Account" (the "**Repayment Shortfall Account**");
- (j) a current account designated the "Beneficiary Collection Account" (the "**Beneficiary Collection Account**"); and
- (k) a current account designated the "**Core Representation Asset Account**" (to be opened following a breach of a Core Representation).

The Senior Facility Agreement further provides that each WorkoutCo will be required (when they accede to the Senior Facility Agreement or, in the case of Loan Capital Limited on or prior to the date on which it acquires any Asset or an REO Property) to open and maintain with a designated branch of the Borrower Account Bank, having at least the Borrower Requisite Rating the following:

- (a) a current account designated a "**Permitted Payments Account**";
- (b) a current account designated a "**Management Account**";
- (c) a current account designated a "**WorkoutCo Collection Account**";
- (d) a current account designated a "**WorkoutCo Proceeds Account**"; and
- (e) a current account designated a "**WorkoutCo Income Account**".

The Senior Facility Agreement further provides that each REO Property WorkoutCo will be required (when any REO Property held by it is or becomes subject to an occupational lease) to be open and maintain with a designated branch of the Borrower Account Bank, having at least the Borrower Requisite Rating the following:

- (a) a current account designated a "**WorkoutCo Income Account**"; and
- (b) a current account designated a "**REO Property WorkoutCo Service Charge Proceeds Account**".

All such accounts together with the Borrower Control Accounts being the "**Borrower and WorkoutCo Control Accounts**".

The Borrower and WorkoutCo Control Accounts excluding the Borrower Control Accounts being the "**WorkoutCo Control Accounts**".

If at any time the Borrower Account Bank ceases to have the Borrower Requisite Rating, the Senior Agent must notify the Borrower and the Borrower shall procure that, within thirty (30) days of the ratings downgrade (at the discretion of the affected Borrower Account Bank) either: (a) a financial institution that does have the Borrower Requisite Rating and which agrees to that appointment and has its designated branch in London becomes the Borrower Account Bank on substantially the same terms as the original Borrower Account Bank; or (b) the relevant Borrower Account Bank procures a third party guarantee of its obligations to the Obligor or some other remedy which is acceptable to the Senior Agent (acting on the instructions of the Senior Majority Lenders and that complies with the then current relevant rating agencies' criteria).

Under the terms of the Senior Facility Agreement the Borrower Account Bank may also be replaced:

- (a) at the request of the Borrower (acting reasonably) and with the consent of the Senior Agent (such consent not to be unreasonably withheld); or
- (b) where it resigns by giving not less than 30 days' written notice to the Borrower and the other Senior Finance Parties,

provided, that in each case any replacement of an outgoing Borrower Account Bank will not become effective until any successor Borrower Account Bank has acceded to the Senior Facility Agreement.

The Senior Agent has sole signing rights on all of the Borrower and WorkoutCo Control Accounts with the exception of the Borrower General Account, the Cash Reserve Account, the Future Funding Obligations Account, the Permitted Payments Accounts, the Management Accounts and the REO Property WorkoutCo Service Charge Proceeds Accounts.

In respect of the Cash Reserve Account, the Future Funding Obligations Account, the REO Property WorkoutCo Service Charge Proceeds Account and the Permitted Payments Account the Senior Agent shall have sole signing rights if a Loan Event of Default is continuing and the Senior Agent serves notice specifying that no amount may be withdrawn from the relevant Borrower and WorkoutCo Control Account.

No withdrawal may be made by an Obligor from a Borrower and WorkoutCo Control Account (other than the Borrower General Account and any Management Account) if a Loan Event of Default is continuing except with the prior consent of the Senior Agent (acting on the instructions of the Senior Majority Lenders) or if such withdrawal is to pay the Senior Secured Obligations in accordance with the Senior Facility Agreement.

On the Loan Expected Maturity Date (or if the term of the Senior Loan is extended, the Extended Loan Expected Maturity Date) or upon any part of the Senior Loan becoming immediately due and payable in accordance with the terms of the Senior Facility Agreement, the monies standing to the credit of each Borrower and WorkoutCo Control Account may be applied by the Senior Agent in or towards payment of the Senior Secured Obligations or otherwise applied in accordance with the terms of the Senior Finance Documents.

The Security Trust and Intercreditor Deed sets out the payments to be made into the Borrower and WorkoutCo Control Accounts (see "*Security Trust and Intercreditor Deed – Borrower and WorkoutCo Control Accounts*") and the payments to be made out of the Borrower and WorkoutCo Control Accounts (see "*Security Trust and Intercreditor Deed – Borrower and WorkoutCo Control Accounts*").

Senior Loan Events of Default

The Senior Facility Agreement contains various events that could lead to a default and acceleration of any amounts outstanding under the Senior Loan (each, a "**Loan Event of Default**" and any Loan Event of Default or any event or circumstance which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Senior Finance Documents or any combination of any of the foregoing) constitute a Loan Event of Default, a "**Loan Potential Event of Default**").

Loan Events of Default include, but are not limited to, the following:

- (a) non-payment on the due date (subject to a grace period of five Business Days if the failure to pay is caused by administrative or technical error in the transmission of funds or arises from a disruption event) by the Borrower or, as the case may be, the Guarantor of any amount payable pursuant to the Senior Finance Documents at the place and in the currency in which it is expressed to be payable other than by reason of default on the part of the Senior Agent in applying proceeds standing to the credit of a Borrower and WorkoutCo Control Account, by reason of the Senior Agent failing to apply a Collateral Cure Amount in prepayment of the Senior Loan, or the default is a failure to meet a Level 2 Repayment Target and that breach is cured (see "*Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Repayment of the Senior Loan*");
- (b) the Borrower or, as the case may be, any Guarantor does not comply with any of clause 4.3 (*Conditions subsequent*), clause 20.3(a)(i) (*Asset information*), clause 20.4 (*Compliance Certificates*), 20.5(a) (*Distribution Worksheet: Calculation Period*), clause 21 (*Control Accounts*) (unless any failure by the Borrower to perform or comply with that clause is caused solely by the default on the part of the Senior Agent in applying proceeds standing to the credit of a Borrower and WorkoutCo Control Account in accordance with the Senior Facility Agreement), clause 22 (*Hedging Arrangements*) clause 24.3 (*Negative pledge*), clause 24.4 (*Disposals*), clause 24.5 (*Financial Indebtedness*), clause 24.8 (*Conduct of Business*), clause 24.12 (b) (*VAT*), clause

24.13 (*Distributions*), clause 24.17 (*Affiliated Mezzanine Debt*), clause 24.18 (*Third Party Mezzanine Debt*), clause 25.1 (*Acquisition of REO Properties*) or clause 25.8 (*Insurance*) of the Senior Facility Agreement (subject to a grace period of five (5) Business Days of the Senior Agent giving notice to the Obligors' Agent or either the Obligors' Agent becoming aware of the failure to comply in respect of clause 25.8 (*Insurance*) and a grace period of two (2) Business Days of the Senior Agent giving the Obligors' Agent notice of the breach in respect of clause 20.3(a)(i) (*Asset information*) of the Senior Facility Agreement;

- (c) the Borrower or, as the case may be, any Guarantor or subordinated creditor does not comply with any provision of the Senior Finance Documents (other than as set out in paragraphs (a) and (b) above). There is a grace period of fifteen Business Days following the Senior Agent giving notice to the Obligors' Agent or the Obligors' Agent becoming aware of the failure to comply. If the relevant breach is capable of remedy and such remedy has commenced within that 15 Business Days period but has not been completed and the cure is being pursued diligently and expeditiously, the cure period shall be extended by up to a maximum of a further 15 Business Days;
- (d) subject to the terms of the Senior Facility Agreement (and other than with respect to a Core Representation that the Borrower is entitled to make a claim for against the relevant Asset Seller pursuant to the terms of the Asset Loan Sale Agreement), any representation or statement made, or deemed to be made, by an Obligor, Mezzanine Borrower HoldCo or any subordinated creditor in a Senior Finance Document, or in any other document delivered by or on behalf of any Obligor under or in connection with a Senior Finance Document, is or proves to have been incorrect or misleading in any material respect when made or deemed to be made. There is a grace period of fifteen (15) Business Days from the date on which the Senior Agent gives notice to the Obligors' Agent or the Obligors' Agent becomes aware of the failure to comply. If the relevant breach is capable of remedy and such remedy has commenced within that 15 Business Days period but has not been completed and the cure is being pursued diligently and expeditiously, the cure period shall be extended by up to a maximum of a further 15 Business Days. There is a further grace period of sixty (60) Business Days of the Senior Agent giving notice to the Obligors' Agent or the Obligors' Agent becoming aware of the misrepresentation if the Asset or New Asset which is subject to the misrepresentation is disposed of in full in accordance with the disposal provisions set out in the Senior Facility Agreement (see "*Undertakings – Disposals*"). With respect to the Alpha Asset to the extent that a Credit Bid Restructuring Event has occurred in relation to that Asset so that it is now a New Asset, there are certain carve-outs in relation to certain of the representations made in respect of that New Asset that provide that no misrepresentation shall arise in respect of such representations where the relevant misrepresentation could not reasonably likely result in a material adverse effect;
- (e) any financial indebtedness of an Obligor is not paid when due nor within any originally applicable grace period, is declared to be or otherwise becomes due and payable prior to its specified maturity (or any commitment for financial indebtedness is cancelled or suspended by a creditor of an Obligor or any creditor becomes entitled to declare any financial indebtedness of an Obligor due and payable prior to its specified maturity) as a result of an event of default (howsoever described). This does not apply to the mezzanine debt and Junior Debt and is subject to a *de-minimus* threshold of £1,000,000;
- (f) the Borrower or Mezzanine Borrower HoldCo is unable or admits inability to pay its debts as they fall due (or is deemed to be unable to do so pursuant to section 123(1)(e) of the Insolvency Act 1986), suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties or commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness;
- (g) a moratorium is declared in respect of any indebtedness of an Obligor or Mezzanine Borrower HoldCo (but the ending of the relevant moratorium will not remedy the Loan Event of Default);
- (h) any corporate action, legal proceedings or other procedure or step is taken or notice given in relation to the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise), a composition, compromise, assignment or arrangement with any creditors of, the appointment of a liquidator, receiver, administrative receiver, administrator,

compulsory manager or other similar officer in respect of, or enforcement of any security over the assets of an Obligor or Mezzanine Borrower HoldCo (or an analogous procedure or step is taken in any jurisdiction). This shall not apply to a winding-up application which is frivolous or vexatious and is discharged, stayed or dismissed within 14 days of commencement;

- (i) any expropriation, attachment, sequestration, distress or execution (or analogous process in any relevant jurisdiction) affects any assets of an Obligor or the Mezzanine Borrower HoldCo having an aggregate value of more than £1,000,000 and is not discharged within 14 days;
- (j) any litigation, arbitration or administrative proceeding of or before any court, arbitral body or agency has been started against any Obligor (or against its directors) which is reasonably likely to be adversely determined against that Obligor or its assets and if so adversely determined would reasonably be expected to have a Material Adverse Effect (other than any proceedings that relate to the exercise by an Obligor, a Designated Trustee or any former finance party of its rights under any Asset Level Finance Documents or New Asset Level Finance Documents);
- (k) an Obligor or Mezzanine Borrower HoldCo ceases, or threatens to cease, to carry on all or a material part of its business;
- (l) it is or becomes unlawful for an Obligor or Mezzanine Borrower HoldCo to perform any of its material obligations under the Borrower Transaction Documents or any obligation under any Senior Finance Document or any Borrower Transaction Security created or expressed to be created or enhanced by the Borrower Security Documents ceases to be effective;
- (m) any Borrower Transaction Document (other than any Senior Finance Document) is not, or is alleged by an Obligor not to be, binding on or enforceable against such Obligor;
- (n) any Senior Finance Document or any of the Borrower Transaction Security is not, or is alleged by any party thereto (other than a Senior Finance Party) not to be, binding on or enforceable against such party or effective to create any security intended or purported to be created by it;
- (o) any Obligor fails to perform or comply with any of the obligations assumed by it under the Borrower Security Documents or any party (other than a Senior Finance Party) to the Security Trust and Intercreditor Deed fails to perform or comply with any of its obligations thereunder;
- (p) at any time any of the Borrower Transaction Security is or becomes unlawful or is not or ceases to be legal, valid, binding or enforceable or otherwise ceases to be effective;
- (q) any party to a Senior Finance Document (other than a Senior Finance Party) rescinds or purports to rescind or repudiates a Senior Finance Document or any of the Borrower Transaction Security or evidences an intention to rescind or repudiate a Senior Finance Document or any of the Borrower Transaction Security;
- (r) the entire issued share capital of each Obligor is not or ceases to be legally and beneficially owned and controlled by Intermediate HoldCo (other than a disposal of the shares in a WorkoutCo permitted under the terms of the Senior Facility Agreement);
- (s) the entire issued share capital of Intermediate HoldCo is not, or ceases to be, legally and beneficially owned and controlled by Mezzanine Borrower HoldCo;
- (t) the entire issued share capital of Mezzanine Borrower HoldCo is not, or ceases to be, legally and beneficially owned and controlled by HoldCo (other than any change of control arising from a third party finance party enforcing the Mezzanine Borrower HoldCo Share Charge granted by HoldCo in accordance with the mezzanine finance documents and the mezzanine intercreditor agreement);
- (u) the entire issued share capital of HoldCo is not, or ceases to be, legally and beneficially owned and controlled at least 12.5 per cent. by Blackstone and certain specified affiliates;
- (v) there is a breach of the Tax Deed by any Obligor which gives rise to a Material Adverse Effect;

- (w) with respect to any REO Property, an environmental claim is commenced against the applicable REO Property WorkoutCo which is reasonably likely to be adversely determined against that REO Property WorkoutCo or its REO Property and, if so adversely determined would reasonably be expected to have a Material Adverse Effect (which has not been settled or withdrawn within such period permitted by law);
- (x) it is or becomes unlawful for any Junior Note Trustee to comply with provisions subordinating its security over the Junior Debt to the security created by the Junior Issuer Deed of Assignment or such subordination provisions cease to be effective, to the extent that the such unlawfulness or ineffectiveness would materially adversely impact on any Senior Finance Party's ability to enforce the security created by the Junior Issuer Deed of Assignment;
- (y) any party to the Junior Issuer Deed of Charge (other than any Senior Finance Party) rescinds or purports to rescind or repudiate the Junior Issuer Deed of Charge with the effect that it materially adversely impacts on any Senior Finance Party's ability to enforce the security created by the Junior Issuer Deed of Assignment; and
- (z) any event or series of events occurs (other than any insolvency event in relation to a Senior Finance Party) which gives rise to a Material Adverse Effect.

Enforcement and/or Acceleration

On and at any time after the occurrence of a Loan Event of Default which is continuing, the Senior Agent may, and shall, if so directed by the Senior Majority Lenders, by notice to the Obligators' Agent (a "**Loan Enforcement Notice**"):

- (a) cancel all commitments under the Senior Loan Facility whereupon it shall be immediately cancelled;
- (b) declare that all or part of the Senior Loan, together with accrued interest, and all other amounts accrued or outstanding under the Senior Finance Documents be immediately due and payable, whereupon it shall become immediately due and payable;
- (c) declare all or part of the Senior Loan to be payable on demand, whereupon it shall become immediately payable on demand by the Senior Agent on the instructions of the Senior Majority Lenders;
- (d) enforce, or direct the Borrower Security Trustee to enforce any of the Borrower Transaction Security or exercise any or all rights, remedies, powers or discretions under any of the Senior Finance Documents;
- (e) request the Borrower Hedge Counterparty to exercise its rights to terminate or close out any hedging arrangement under any Borrower Hedge Document (if any) in accordance with the Senior Facility Agreement, whereupon each Borrower Hedge Counterparty shall promptly exercise any such rights to terminate or close out any such hedging arrangements under the Borrower Hedge Document to which it is a party; and/or
- (f) provide an estimate, made in good faith, of any amount which, in its reasonable opinion, is likely to become due and payable from any Guarantor pursuant to any guarantee or indemnity given under the Senior Facility Agreement and declare that amount to be immediately due and payable or to be payable on demand, at which time such sum shall become immediately due and payable or, as the case may be, payable on demand.

Deemed consent

If the Senior Lenders fail for ten (10) Business Days (or twenty (20) Business Days depending on the nature of the request for consent) to respond to a requests for certain consents including administrative amendments to the Senior Finance Documents, amendments to any Borrower Hedge Documents (if any), designation of control accounts, termination of any Borrower Hedge Documents (if any) or amendments to Borrower Transaction Documents, then a further request may be served by the Obligators' Agent. If no response is received within five (5) Business Days of that second request, consent will be deemed to have been given by the relevant Senior Lender.

Termination of the Management Agreement

Following an enforcement event (which includes, amongst other things, the appointment of a receiver in respect of the charged assets, the appointment of an administrator to the Borrower and the exercise of a right of appropriation in respect of the shares of the Borrower or Intermediate HoldCo), the Obligors must terminate any Management Agreement to which they are a party if instructed to do so by the Senior Agent (acting on the instructions of the Senior Majority Lenders) (or the Senior Finance Parties may exercise their rights under the duty of care agreement).

If an enforcement event occurs affecting one Asset, one New Asset or an Asset Level Property (whether owned by an REO Property WorkoutCo (or otherwise)), each Obligor shall terminate any Management Agreement to which they are a party in relation to the relevant Asset, New Asset or Asset Level Property if instructed to do so by the Senior Agent (acting on the instructions of the Senior Majority Lenders) (or the Senior Finance Parties may exercise their rights under the duty of care agreement).

Disenfranchisement of Blackstone

If any Blackstone Affiliate is the holder of any interest in the Senior Loan, then such holder shall not be permitted to vote on or consent to any matter under the Senior Finance Documents.

Disenfranchisement of Defaulting Lenders

Whilst any Senior Lender is a Defaulting Lender, neither its participation in the Senior Loan nor any of its commitments (as applicable) shall be included when ascertaining whether any relevant percentage (including, for the avoidance of doubt unanimity) of Senior Lenders holding participations in the outstanding principal amount of the Senior Loan or in any commitments (as applicable) has been met.

Disenfranchisement of Relevant Shareholder Lender

Whilst any Senior Lender is a Relevant Shareholder Lender, neither its participation in the Senior Loan nor any of its commitments (as applicable) shall be included when ascertaining whether any relevant percentage (including, for the avoidance of doubt, unanimity) of Senior Lenders holding participations in the outstanding principal amount of the Senior Loan or in any commitments (as applicable) has been met.

Governing law

The Senior Facility Agreement is governed by English law.

Borrower Security Documents

Introduction

The security created pursuant to the terms of the Borrower Debenture, the Intermediate HoldCo Shares Charge and the other borrower security documents entered into by the Borrower creating security (together the "**Borrower Security Documents**") (the "**Borrower Transaction Security**") will, subject to the terms of the Security Trust and Intercreditor Deed, secure, amongst other things, all of the obligations of the Borrower and the Guarantors to the Borrower Secured Parties (or any of them) pursuant to the Borrower Transaction Documents.

Pursuant to the terms of the Security Trust and Intercreditor Deed the Borrower Security Trustee, holds the Borrower Transaction Security created in accordance with the Borrower Security Documents on trust for the Borrower Secured Parties. See "*Security Trust and Intercreditor Deed*" above.

The security created by the Securitisation Floating Charge Debenture (together with the Borrower Transaction Security, the "**Borrower Security**") will also be held by the Borrower Security Trustee on trust for the Borrower Secured Parties. See "*Summary of Issuer Transaction Documents – Securitisation Floating Charge Debenture*".

Borrower Debenture

Pursuant to an English law debenture (the "**Borrower Debenture**"), each of the Borrower and the other Obligors (in such capacity, each a "**Chargor**") has:

- (a) charged with full title guarantee in favour of the Borrower Security Trustee (as security trustee for the Borrower Secured Parties), as security for the payment and discharge of the Borrower Secured Obligations, by way of first legal mortgage, the Mortgaged Property;
- (b) assigned and agreed to assign absolutely with full title guarantee to the Borrower Security Trustee (as trustee for the Borrower Secured Parties) (to the extent not validly and effectively charged by way of first legal mortgage as described in paragraph (a) above) and to the fullest extent assignable or capable of assignment without infringing any contractual provision restricting the same and subject to "*Excluded Assets*" below), as security for the payment and discharge of the Borrower Secured Obligations, all of its right, title and interest from time to time in and to, amongst other things, each of the following assets:
 - (i) the Assets, each Asset Level Loan Agreement, each Asset Level Finance Document, each Asset Level Mortgage Security Document, the Asset Loan Sale Agreement, the Management Agreement, the Asset Level Transfer Documents, the Disclosure Letter, the Declaration of Trust Deed, each Asset Existing Swaps Protocol Agreement, the Tax Deed, the Common Terms and Definitions Deed, the Conditional Asset Sale Agreement, any WorkoutCo/Borrower Intercompany Documents, any REO Property Management Agreement, the Bank Accounts Protocol Agreement, the Compensation Deed, the Framework Agreement, the Residual Amount Distribution Agreement, the Junior Finance Documents, any Affiliated Mezzanine Finance Documents, any Intercompany Mezzanine Finance Documents, any third party mezzanine debt intercreditor deed, any Third Party Mezzanine Finance Documents, the Mezzanine Funding Agreement and all other related rights;
 - (ii) any agreement, contracts, deeds, leases, licences, undertakings, guarantees, covenants, warranties, representations and other documents entered into by, given to or otherwise benefiting that Chargor in respect of the Assets and/or the Asset Level Property and all other related rights;
 - (iii) any Income, Consent and Restructuring Fees, Asset Level Insurance Proceeds, Realisation Proceeds and Asset WorkoutCo/Borrower Deferred Consideration and the right to make demand for and receive the same;
 - (iv) in respect of each WorkoutCo only, any Rental Income, Asset WorkoutCo Realisation Proceeds and REO Property Disposal Proceeds and the right to make demand for and receive the same;
 - (v) any REO Property Insurance Policies and all proceeds paid or payable thereunder and all other related rights;
 - (vi) any Report Claim and any Warranty Claim and all proceeds paid or payable thereunder and all other related rights;
 - (vii) in respect of the Borrower only, the Cash Reserve Account, the Future Funding Obligations Account, the Income Account, the Performance Test Cash Trap Account, the Realisation Proceeds Account, the Repayment Shortfall Account, the Beneficiary Collection Account, any Permitted Payments Account, any Core Representation Asset Account, (and in each case, any renewal or redesignation thereof or substitution therefore) and the debt or debts represented thereby and all other related rights;
 - (viii) in respect of each WorkoutCo only, each WorkoutCo Income Account, any REO Property WorkoutCo Service Charge Proceeds Account, any WorkoutCo Proceeds Account, any WorkoutCo Collection Account and any Permitted Payments Account (and in each case, any renewal or redesignation thereof or substitution therefore) and the debt or debts represented thereby and all other related rights; and

- (ix) the Borrower Hedge Documents (if any) and all proceeds paid or payable thereunder and all other related rights;
- (c) charged with full title guarantee in favour of the Borrower Security Trustee (as trustee for the Borrower Secured Parties) (to the extent not validly and effectively charged by way of first legal mortgage as described in paragraph (a) above or assigned as described in paragraph (b) above) as security for the payment and discharge of the Borrower Secured Obligations, by way of first fixed charge, subject to "*Excluded Assets*" below, all of its rights, title and interest from time to time in and to each of the following assets:
- (i) the Real Property and all related rights;
 - (ii) in respect of the Borrower only, the Cash Reserve Account, the Future Funding Obligations Account, the Income Account, the Performance Test Cash Trap Account, the Realisation Proceeds Account, the Repayment Shortfall Account, the Beneficiary Collection Account, any Permitted Payments Account, any Core Representation Asset Account, (and in each case, any renewal or redesignation thereof or substitution therefore) and the debt or debts represented thereby and all other related rights;
 - (iii) in respect of each WorkoutCo only, each WorkoutCo Income Account, any REO Property WorkoutCo Service Charge Proceeds Account, any WorkoutCo Proceeds Account, any WorkoutCo Collection Account and any Permitted Payments Account (and in each case, any renewal or redesignation thereof or substitution therefore) and the debt or debts represented thereby and all other related rights;
 - (iv) each of its accounts with any bank, building society, financial institution or other person (including any replacement account or sub-division or sub-account of that account) and the debt or debts represented thereby and all other related rights;
 - (v) each of its interest or currency rate swap, cap, floor, collar or option transactions, all proceeds paid or payable thereunder and all related rights;
 - (vi) book and other debts and monetary claims owing to it and any proceeds of those debts and claims and all related rights;
 - (vii) patents, trademarks, service marks, designs, business and trade names, copyrights, design rights, moral rights, inventions, confidential information, know-how and other intellectual property rights and interests to which it is entitled, whether registered or unregistered, the benefit of all applications and its rights to use such assets and all related rights;
 - (viii) plant, machinery, office equipment, computers, vehicles, furniture, fittings and other chattels (excluding any for the time being forming part of any Chargor's stock in trade or work in progress) and all related rights;
 - (ix) goodwill and rights and claims in relation to its uncalled share capital;
 - (x) rights to recover any VAT on any supplies made to it relating to the Borrower Secured Property and any sums so recovered;
 - (xi) the Equity Residuals, stocks, shares (including the shares of the Borrower, Loan Capital Limited and EquityCo held, in each case, by Intermediate HoldCo), debentures, securities, certificates of deposit and other investments, all interests in collective investment schemes and partnerships and all warrants, options and rights to subscribe for any investment whether held by or on behalf of any Chargor or by any trustee, nominee, fiduciary or clearance system on its behalf and all related rights (including all rights against any such trustee, nominee, fiduciary or clearance system); and
 - (xii) each of the assets which are specified in paragraph (b) above;

- (d) to the intent that the Borrower Security Trustee shall have a continuing, first priority security interest in the Jersey Collateral by way of security for the Borrower Secured Obligations, assigned title to the Jersey Collateral to the Borrower Security Trustee;
- (e) subject as set out in "*Excluded Assets*" below, with full title guarantee charged in favour of the Borrower Security Trustee (as trustee for the Borrower Secured Parties), as security for the payment and discharge of the Borrower Secured Obligations, by way of first floating charge all present and future assets and undertaking of that Chargor; and
- (f) (in the case of the Borrower and each WorkoutCo only) subject as set out in "*Excluded Assets*" below, with full title guarantee charged in favour of the Borrower Security Trustee (as trustee for the Borrower Secured Parties), as security for the payment and discharge of the Borrower Secured Obligations, by way of floating charge all of its rights, title and interest from time to time in and to the Excluded Assets.

"Borrower Secured Obligations" means all present and future obligations and liabilities (whether actual or contingent, whether owned jointly, severally or in any other capacity whatsoever and whether originally incurred by the Borrower or any of the Original Guarantors or by some other person) of each of the Borrower and the Guarantors to the Borrower Secured Parties (or any of them) under certain specified parts of each of the Borrower Transaction Documents;

"Lease" means any present or future lease, underlease, sub-lease, licence, tenancy or right to occupy all or any part of an REO Property and any agreement for the grant of any of the foregoing.

"Legal Charge" means a charge by way of legal mortgage in respect of all or any part of the Real Property between a Chargor and the Borrower Security Trustee substantially in the form attached to the Borrower Debenture.

"Mortgaged Property" means the freehold and leasehold property specified in the schedule to each Legal Charge.

"Occupational Lease" means any Lease to which an REO Property WorkoutCo's interest in an REO Property may be subject from time to time.

"Real Property" means any present or future freehold or leasehold property and any other interest in land or buildings and all rights relating thereto in which any Chargor has an interest.

"Rental Income" means all sums paid to or for the benefit of any REO Property WorkoutCo arising from the letting, use or occupation of all or any part of any REO Property, including (without double counting):

- (a) rents, licence fees and equivalent sums (including any apportionment of such sums in favour of an REO Property WorkoutCo on the disposal of any REO Property);
- (b) sums received from any deposit held as security for performance of any tenant's obligations (but only at such time, and to such extent, as the applicable REO Property WorkoutCo is permitted to apply the same pursuant to the terms of the applicable Lease or pursuant to the terms of applicable law);
- (c) proceeds of insurance in respect of loss of rent or interest on rent;
- (d) receipts from or the value of consideration given for the grant, surrender or variation of any Lease;
- (e) any Service Charge Proceeds;
- (f) payments made in respect of a breach of covenant or dilapidations under any Lease in relation to an REO Property and for expenses incurred in relation to any such breach;
- (g) any contribution to a sinking fund paid to an REO Property WorkoutCo under an Occupational Lease;

- (h) any contribution by a tenant of an REO Property to ground rent payable by the relevant REO Property WorkoutCo;
- (i) interest, damages or compensation in respect of any of the items listed in this definition;
- (j) any payment or other distribution received or recovered from a guarantor or other surety in respect of any of the items listed in this definition; and
- (k) any amount which represents VAT in respect of any of the sums mentioned in this definition.

"REO Property WorkoutCo" means a WorkoutCo which acquires an REO Property in accordance with the provisions of clause 25.1 (*Acquisition of REO Properties by REO Property WorkoutCos*) of the Senior Facility Agreement.

"Service Charge Proceeds" means any payment to an REO Property WorkoutCo for Service Charge Expenses:

- (a) by a tenant or other occupier of an REO Property; or
- (b) by a guarantor or other surety for such a person; or
- (c) by recourse to any rent deposit, fund, bond or other collateral for the tenant or other occupier's obligations in respect of such sums.

Excluded Assets

The Security from time to time constituted by the Borrower Debenture does not extend to any Chargor's interest in the Excluded Assets save as provided in paragraph (f) of "*Borrower Debenture*" above.

The maximum amount recoverable out of the enforcement of the floating charge set out in paragraph (f) of "*Borrower Debenture*" above over the Excluded Assets is the last £10 of the Borrower Secured Obligations after (and being fully subordinated to) all Security over the Borrower Secured Property (excluding the Excluded Assets) granted by each Chargor in favour of the Borrower Security Trustee has been enforced and substantially realised.

"Excluded Assets" for these purposes means each of the Borrower General Account and the Management Account (and, in each case, any renewal or redesignation thereof or substitution therefore) and the debt or debts represented thereby and all other Related Rights.

Intermediate HoldCo Shares Charge

Pursuant to a shares charge granted by the Mezzanine Borrower HoldCo (the "**Intermediate HoldCo Shares Charge**"), as security for the Borrower Secured Obligations, Mezzanine Borrower HoldCo has charged with full title guarantee in favour of the Borrower Security Trustee (as trustee for the Borrower Secured Parties) by way of first fixed charge all the shares it holds from time to time in Intermediate HoldCo. The Intermediate HoldCo Shares Charge is governed by English law.

In accordance with the terms of the Intermediate HoldCo Shares Charge, following the occurrence of a Shares Charge Event of Default which is continuing, the Borrower Security Trustee may, at its discretion, amongst other things, exercise any rights in relation to the relevant shares (including the right to vote, the right to apply dividends, interest and other moneys, the right to transfer the relevant shares and the other rights of any legal or beneficial owner of the relevant shares).

Borrower Irish Debenture

Pursuant to an Irish law debenture granted by the Borrower (the "**Borrower Irish Debenture**"), the Borrower has:

- (a) as security for the payment, performance and discharge of the Borrower Secured Obligations, as legal and/or beneficial owner, assigned absolutely in favour of the Borrower Security Trustee all its present and future benefits, rights, title and interest in and to each of the Irish Asset Contracts and all related rights;

- (b) to the extent that they are not effectively assigned as described in paragraph (a) above, as security for the payment, performance and discharge of the Borrower Secured Obligations, as legal and/or beneficial owner, charged by way of a first fixed charge all its present and future benefits, rights, title and interest in and to each of the Irish Asset Contracts and all related rights; and
- (c) as legal and beneficial owner, charged in favour of the Borrower Security Trustee (as trustee for the Borrower Secured Parties) as security for the payment, performance and discharge of the Borrower Secured Obligations by way of a first floating charge all present and future assets and undertaking of the Borrower which are located, maintained, opened, registered, documented, recorded or evidenced in Ireland or which are governed by the laws of Ireland or subject to the jurisdiction of Ireland or whose lex situs is otherwise determined to be Ireland.

Junior Issuer Deed of Assignment

Pursuant to a deed of assignment (the "**Junior Issuer Deed of Assignment**") between the Junior Issuer and the Borrower Security Trustee, the Junior Issuer as chargor has:

- (a) assigned and agreed to assign absolutely (and to the extent not validly and effectively assigned, charge) with full title guarantee to the Borrower Security Trustee (as trustee for the Borrower Secured Parties), as security for the payment and discharge of the Borrower Secured Obligations, all of its right title and interest from time to time in, to and under each and every sum paid or payable from time to time by a Junior Obligor to it pursuant to the Junior Finance Documents and all of its other rights, title and interest in the Junior Finance Documents together with all Related Rights; and
- (b) charged with full title guarantee to the Borrower Security Trustee (as trustee for the Borrower Secured Parties) (to the extent not validly and effectively assigned as described in paragraph (a) above), as security for the payment and discharge of the Borrower Secured Obligations, by way of first fixed charge, all of its rights, title and interest from time to time in, to and under each and every sum paid or payable from time to time by a Junior Obligor to it pursuant to the Junior Finance Documents and all of its other rights, title and interest in the Junior Finance Documents together with all Related Rights.

The ability of the Borrower Security Trustee to enforce the security granted pursuant to the Junior Issuer Deed of Assignment may be restricted and/or negatively impacted by (i) the conditions of transfer contained in the Junior Facility Agreement and (ii) certain restrictions contained in documentation to which any person becoming a lender under the Junior Facility Agreement is required to accede. In order to reduce the impact of such restrictions, certain outstanding fees under the Management Agreement may be required to be settled prior to a transfer of an interest in the loans outstanding under the Junior Facility Agreement (including a transfer pursuant to an enforcement of the security granted under the Junior Debt Deed of Assignment).

Ordinary DC Deed of Assignment (1)

Pursuant to a deed of assignment (the "**Ordinary DC Deed of Assignment (1)**") between Blackstone (Isobel) Upper L.P. (acting by its general partner Blackstone Real Estate Special Situations Associates Europe – NQ L.L.C.) and the Borrower Security Trustee, Blackstone (Isobel) Upper L.P. (acting by its general partner Blackstone Real Estate Special Situations Associates Europe – NQ L.L.C.) as chargor has:

- (a) assigned and agreed to assign absolutely (and to the extent not validly and effectively assigned, charge) with full title guarantee to the Borrower Security Trustee (as trustee for the Borrower Secured Parties), as security for the payment and discharge of the Borrower Secured Obligations, all of its right title and interest from time to time in, to and under any sums paid or payable from time to time by the Borrower to it by way of Ordinary Deferred Consideration and all its other rights, title and interest in any Ordinary Deferred Consideration and/or Ordinary Deferred Consideration Certificates together with all Related Rights; and
- (b) charged with full title guarantee to the Borrower Security Trustee (as trustee for the Borrower Secured Parties) (to the extent not validly and effectively assigned as described in paragraph (a) above), as security for the payment and discharge of the Borrower Secured Obligations, by way of first fixed charge, all of its rights, title and interest from time to time in, to and under any sums

paid or payable from time to time by the Borrower to it by way of Ordinary Deferred Consideration and all its other rights, title and interest in any Ordinary Deferred Consideration and/or Ordinary Deferred Consideration Certificates together with all Related Rights.

Ordinary DC Deed of Assignment (2)

Pursuant to a deed of assignment (the "**Ordinary DC Deed of Assignment (2)**") between National Westminster Bank plc and the Borrower Security Trustee, National Westminster Bank plc as chargor has:

- (a) assigned and agreed to assign absolutely (and to the extent not validly and effectively assigned, charge) with full title guarantee to the Borrower Security Trustee (as trustee for the Borrower Secured Parties), as security for the payment and discharge of the Borrower Secured Obligations, all of its right title and interest from time to time in, to and under any sums paid or payable from time to time by the Borrower to it by way of Ordinary Deferred Consideration and all its other rights, title and interest in any Ordinary Deferred Consideration and/or Ordinary Deferred Consideration Certificates together with all Related Rights; and
- (b) charged with full title guarantee to the Borrower Security Trustee (as trustee for the Borrower Secured Parties) (to the extent not validly and effectively assigned as described in paragraph (a) above), as security for the payment and discharge of the Borrower Secured Obligations, by way of first fixed charge, all of its rights, title and interest from time to time in, to and under any sums paid or payable from time to time by the Borrower to it by way of Ordinary Deferred Consideration and all its other rights, title and interest in any Ordinary Deferred Consideration and/or Ordinary Deferred Consideration Certificates together with all Related Rights.

Ordinary and Overage DC Deed of Assignment

Pursuant to a deed of assignment (the "**Ordinary and Overage DC Deed of Assignment**") between The Royal Bank of Scotland plc and the Borrower Security Trustee, The Royal Bank of Scotland plc as chargor has:

- (a) assigned and agreed to assign absolutely (and to the extent not validly and effectively assigned, charge) with full title guarantee to the Borrower Security Trustee (as trustee for the Borrower Secured Parties), as security for the payment and discharge of the Borrower Secured Obligations, all of its right title and interest from time to time in, to and under:
 - (i) any sums paid or payable from time to time by the Borrower to it by way of Ordinary Deferred Consideration and all its other rights, title and interest in any Ordinary Deferred Consideration and/or Ordinary Deferred Consideration Certificates; and
 - (ii) any sums paid or payable from time to time by the Borrower to it by way of Overage Consideration and all its other rights, title and interest in any Overage Consideration and/or Overage Consideration Certificates,
- together with all Related Rights; and
- (b) charged with full title guarantee to the Borrower Security Trustee (as trustee for the Borrower Secured Parties) (to the extent not validly and effectively assigned as described in paragraph (a) above), as security for the payment and discharge of the Borrower Secured Obligations, by way of first fixed charge, all of its rights, title and interest from time to time in, to and under:
 - (i) any sums paid or payable from time to time by the Borrower to it by way of Ordinary Deferred Consideration and all its other rights, title and interest in any Ordinary Deferred Consideration and/or Ordinary Deferred Consideration Certificates; and
 - (ii) any sums paid or payable from time to time by the Borrower to it by way of Overage Consideration and all its other rights, title and interest in any Overage Consideration and/or Overage Consideration Certificates,

together with all Related Rights.

Special DC Deed of Assignment

Pursuant to a deed of assignment (the "**Special DC Deed of Assignment**") between Blackstone (Isobel) Upper L.P. (acting by its general partner Blackstone Real Estate Special Situations Associates Europe – NQ L.L.C.) and the Borrower Security Trustee, Blackstone (Isobel) Upper L.P. (acting by its general partner Blackstone Real Estate Special Situations Associates Europe – NQ L.L.C.) as chargor has:

- (a) assigned and agreed to assign absolutely (and to the extent not validly and effectively assigned, charge) with full title guarantee to the Borrower Security Trustee (as trustee for the Borrower Secured Parties), as security for the payment and discharge of the Borrower Secured Obligations, all of its right title and interest from time to time in, to and under any sums paid or payable from time to time by the Borrower to it by way of Special Deferred Consideration and all its other rights, title and interest in any Special Deferred Consideration and/or Special Deferred Consideration Certificates together with all Related Rights; and
- (b) charged with full title guarantee to the Borrower Security Trustee (as trustee for the Borrower Secured Parties) (to the extent not validly and effectively assigned as described in paragraph (a) above), as security for the payment and discharge of the Borrower Secured Obligations, by way of first fixed charge, all of its rights, title and interest from time to time in, to and under any sums paid or payable from time to time by the Borrower to it by way of Special Deferred Consideration and all its other rights, title and interest in any Special Deferred Consideration and/or Special Deferred Consideration Certificates together with all Related Rights.

"**Beneficiary Register**" means the register in the form set out in Schedule 1 to the Residual Amount Distribution Agreement and maintained by the Borrower or such other party appointed for the purpose of maintaining such register.

"**ODC Beneficiaries**" means any party named as an ODC Beneficiary in the Beneficiary Register from time to time.

"**ODC Conversion**" means the establishment of a trust over the cashflows from which the Ordinary Deferred Consideration is derived and the surrender, by holders of the Ordinary Deferred Consideration at such time, of their rights in and to the Ordinary Deferred Consideration in exchange for the Ordinary Deferred Consideration Certificates representing a percentage interest in such trust equivalent to their ODC Percentage and the replacement of the Borrower as the registrar under clause 4 of the Residual Amount Distribution Agreement with a third party.

"**ODC Percentage**" means, in respect of any ODC Beneficiary, the percentage next to such ODC Beneficiary's name in the Beneficiary Register.

"**Ordinary Deferred Consideration**" means the right to receive the amounts payable to the ODC Beneficiaries pursuant to clause 3 of the Residual Amount Distribution Agreement.

"**Ordinary Deferred Consideration Certificates**" means the ordinary deferred consideration certificates issued, or to be issued by the Borrower and exchanged for the Ordinary Deferred Consideration pursuant to the ODC Conversion.

"**Overage Beneficiaries**" means any party named as an Overage Beneficiary in the Beneficiary Register from time to time.

"**Overage Consideration**" means the right to receive the amounts payable to the Overage Beneficiaries pursuant to clause 3 of the Residual Amount Distribution Agreement.

"**Overage Consideration Certificates**" means the overage consideration certificates issued, or to be issued by the Borrower and exchanged for the Overage Consideration pursuant to the Overage Conversion.

"**Overage Conversion**" means the establishment of a trust over the cashflows from which the Overage Consideration is derived and the surrender, by holders of the Overage Consideration at such time, of their rights in and to the Overage Consideration in exchange for the Overage Consideration Certificates representing a percentage interest in such trust equivalent to their Overage Percentage and the

replacement of the Borrower as the registrar under clause 4 of the Residual Amount Distribution Agreement with a third party.

"Overage Percentage" means, in respect of any Overage Beneficiary, the percentage next to such Overage Beneficiary's name in the Beneficiary Register.

"SDC Beneficiaries" means any party named as an SDC Beneficiary in the Beneficiary Register from time to time.

"SDC Conversion" means the establishment of a trust over the cashflows from which the Special Deferred Consideration is derived and the surrender, by holders of the Special Deferred Consideration at such time, of their rights in and to the Special Deferred Consideration in exchange for the Special Deferred Consideration Certificates representing a percentage interest in such trust equivalent to their SDC Percentage and the replacement of the Borrower as the registrar under clause 4 of the Residual Amount Distribution Agreement with a third party.

"SDC Percentage" means, in respect of any SDC Beneficiary, the percentage next to such SDC Beneficiary's name in the Beneficiary Register.

"Special Deferred Consideration" means the right to receive the amounts payable to the SDC Beneficiaries pursuant to clause 3 of the Residual Amount Distribution Agreement.

"Special Deferred Consideration Certificates" means the special deferred consideration certificates issued, or to be issued by the Borrower and exchanged for the Special Deferred Consideration pursuant to the SDC Conversion.

SECURITY TRUST AND INTERCREDITOR DEED

Pursuant to the terms of an English law security trust and intercreditor deed dated 21 December 2011 (as amended on 12 January 2012, 9 March 2012 and on or about 27 September 2012) originally made between, amongst others, the Borrower, the Guarantors, the Senior Agent, the Junior Agent, the Borrower Security Trustee, the Senior Lender, the Junior Lenders, the Asset Existing Swap Provider, the Subordinated Creditors, the Core Representation Breach Sellers, the DC Beneficiaries and the Relevant Swap Provider (the "**Security Trust and Intercreditor Deed**", which expression when used in other transaction documents includes such deed as from time to time modified or supplemented in accordance with the provisions therein contained), the Borrower Security Trustee agreed to hold the Borrower Transaction Security and any proceeds of enforcement of the Borrower Transaction Security on trust for the Borrower Secured Parties in accordance with the terms of the Security Trust and Intercreditor Deed.

Pursuant to the terms of the Security Trust and Intercreditor Deed the parties thereto have regulated the position as between themselves by reference to, amongst other things:

- (a) the ranking of claims between the parties and the order of payments and the application of recoveries;
- (b) the priority of payments through the Borrower and WorkoutCo Control Accounts;
- (c) certain entrenched rights in relation to the voting and instruction regime; and
- (d) restrictions on the taking of enforcement action under the Senior Facility Agreement, the Junior Facility Agreement and the Mezzanine Debt and enforcement of the Borrower Transaction Security.

The Issuer will accede to the Security Trust and Intercreditor Deed on or about the Closing Date.

Borrower and WorkoutCo Control Accounts

The Security Trust and Intercreditor Deed sets out the payments to be made into and out of the Borrower and WorkoutCo Control Accounts as follows:

Beneficiary Collection Account

General Realisation Proceeds, Report Claims, Consent and Restructuring Fees, Asset Level Net Insurance Proceeds and General Income arising from any Originator Trust Asset that is owned by the Borrower (net of any administration fees due and payable in accordance with the Declaration of Trust Deed) shall be paid into the Beneficiary Collection Account.

General Realisation Proceeds, Report Claims, Consent and Restructuring Fees, Asset Level Net Insurance Proceeds and General Income arising from Assets and New Assets owned by the Borrower (other than Originator Trust Assets) shall be paid directly into the Beneficiary Collection Account.

- (a) One Business Day prior to each Loan Payment Date (or on any Early Payment Date) all General Realisation Proceeds arising from any Asset or New Asset owned by the Borrower (including all Originator Trust Assets, but excluding any Prepaid Core Representation Asset and also excluding any amount relating to any Primepanel Swap Payment) and received during the immediately preceding Calculation Period or, in the case of a withdrawal made on an Early Payment Date, in an amount equal to the prepayment to be made by the Borrower on that Early Payment Date, shall be paid from the Beneficiary Collection Account into the Realisation Proceeds Account.
- (b) One Business Day prior to each Loan Payment Date all General Income arising from any Asset or New Asset owned by the Borrower (including all Originator Trust Assets but excluding any Prepaid Core Representation Asset and also excluding any amount relating to any Primepanel Swap Payment) and received during the immediately preceding Calculation Period shall be paid from the Beneficiary Collection Account into the Income Account.
- (c) One Business Day prior to each Loan Payment Date all General Realisation Proceeds and Income arising from any Prepaid Core Representation Asset (excluding any amount relating to any Primepanel Swap Payment) and received during the immediately preceding Calculation Period

shall be paid from the Beneficiary Collection Account into the Core Representation Asset Account.

- (d) To the extent that the Primepanel Asset is owned by the Borrower and is an Originator Trust Asset, on each Primepanel Interest Payment Date an amount equal to any Primepanel Swap Payment that has been paid into the Beneficiary Collection Account during the then current Loan Interest Period shall be paid from the Beneficiary Collection Account to the Primepanel Swap Provider.

WorkoutCo Collection Accounts

General Realisation Proceeds, Report Claims, Consent and Restructuring Fees, Asset Level Net Insurance Proceeds and General Income arising from any Originator Trust Asset that are owned by any WorkoutCo (net of any administration fees due and payable in accordance with the Declaration of Trust Deed) shall be paid into the relevant WorkoutCo Collection Account.

- (a) One Business Day prior to each Loan Payment Date (or on any Early Payment Date) all General Realisation Proceeds arising from any Asset or New Asset owned by an Asset WorkoutCo (including all Originator Trust Assets, but excluding any Prepaid Core Representation Asset and also excluding any amount relating to any Primepanel Swap Payment) and received during the immediately preceding Calculation Period shall be paid from each WorkoutCo Collection Account into the relevant Asset WorkoutCo's WorkoutCo Proceeds Account.
- (b) One Business Day prior to each Loan Payment Date all General Income arising from any Asset or New Asset owned by an Asset WorkoutCo (including all Originator Trust Assets, but excluding any Prepaid Core Representation Asset and also excluding any amount relating to any Primepanel Swap Payment) and received during the immediately preceding Calculation Period shall be paid from each WorkoutCo Collection Account into the relevant Asset WorkoutCo's WorkoutCo Income Account.
- (c) One Business Day prior to each Loan Payment Date all General Realisation Proceeds and General Income arising from any Prepaid Core Representation Asset (excluding any amount relating to any Primepanel Swap Payment) and received during the immediately preceding Calculation Period shall be paid from each WorkoutCo Collection Account into the Core Representation Asset Account.
- (d) To the extent that the Primepanel Asset is owned by an Asset WorkoutCo and is an Originator Trust Asset, on each Primepanel Interest Payment Date any Primepanel Swap Payment that has been paid into the relevant WorkoutCo's WorkoutCo Collection Account during the then current Loan Interest Period from that WorkoutCo Collection Account shall be paid to the Primepanel Swap Provider.

Realisation Proceeds Account – Payments in

All General Realisation Proceeds and Asset Residual Value Net Realisation Proceeds, other than Realisation Costs and any Warner RCF Repayments, arising from all Assets and New Assets owned by the Borrower (including all Originator Trust Assets, but excluding any Prepaid Core Representation Asset) shall be paid from the Beneficiary Collection Account into the Realisation Proceeds Account. See "*Beneficiary Collection Account*" above.

All Realisation Proceeds relating to Assets and New Assets owned by the Borrower (including all Originator Trust Assets) and any realisation proceeds top-up amounts shall be paid directly into the Realisation Proceeds Account, save for any:

- (a) (A) Repayment Shortfall Prepayments, (B) ICR Prepayments, (C) Level 2 Repayment Target Prepayments, (D) Asset WorkoutCo Realisation Proceeds, (E) amounts that are paid into the Beneficiary Collection Account as set out in "*Payments into the Borrower and WorkoutCo Control Accounts – Beneficiary Collection Accounts and WorkoutCo Collection Accounts*", (F) Core Representation Prepayment Cash Sweep Amounts and (G) any Warner RCF Repayments;

- (b) any amounts paid or to be paid on account of any Realisation Costs, Asset Residual Value Realisation Costs, Warranty Costs, Report Claim Costs, Consent and Restructuring Fees Costs or Asset Level Insurance Proceeds Costs; and
- (c) the payments due to any banking services provider under any Bank Accounts Protocol Agreement relating to any Asset with respect to which General Realisation Proceeds are being paid into the Realisation Proceeds Account as set out in this paragraph.

Payments shall be made from the WorkoutCo Proceeds Accounts into the Realisation Proceeds Account. See "*WorkoutCo Proceeds Accounts*" below.

All Net Realisation Proceeds from a Disposal of all the shares in a WorkoutCo by Intermediate HoldCo shall be paid into the Realisation Proceeds Account.

Any proceeds arising from any Equity Residual relating to the Mapeley Asset or the Heathrow/V&A Asset that are owned by EquityCo shall be paid into the Realisation Proceeds Account and treated as "Net Realisation Proceeds" for the Mapeley Asset or Heathrow/V&A Asset (as applicable).

Payments shall be made from the Future Funding Obligations Account into the Realisation Proceeds Account. See "*Future Funding Obligations Account*" below.

"ICR Prepayment" means a prepayment of the loan made under the Senior Loan Facility pursuant to clause 21.9(c) (*Performance Test Cash Trap Account*) of the Senior Facility Agreement.

Realisation Proceeds Account (Prepayment of the Senior Loan on Disposal in full of Asset)

On the Loan Payment Date following or on which a Disposal in full of an Asset or New Asset occurs (or on any Early Payment Date if the Borrower so elects) the Net Realisation Proceeds standing to the credit of the Realisation Proceeds Account as represents the Net Realisation Proceeds arising from such Disposal in full shall be applied in prepayment of the Senior Loan in an amount equal to:

- (a) if there are sufficient Net Realisation Proceeds the greater of: (i) the relevant ADA Release Price; and (ii) the Outstanding Principal Amount Release Price (the "**Realisation Proceeds Repayment Amount**");
- (b) if the Net Realisation Proceeds are less than the Realisation Proceeds Repayment Amount on a Disposal other than a Disposal as part of an enforcement strategy or a Forced Asset Disposal, the greater of:
 - (i) the relevant Reduced Release Price; and
 - (ii) the Net Realisation Proceeds arising from the Disposal; or
- (c) if the Net Realisation Proceeds are less than the Realisation Proceeds Repayment Amount on a Disposal as part of an enforcement strategy (excluding a strategy resulting in the acquisition of an Asset Level Property by an REO Property WorkoutCo) or a Forced Asset Disposal, the Net Realisation Proceeds.

The "**Outstanding Principal Amount Release Price**" means:

- (a) for all of the Assets and New Assets other than the Barchester Asset, the Toys "R" Us Asset and the Alpha Asset:
 - (i) 80 per cent. of Net Realisation Proceeds if the principal amount of the Senior Loan is 50 per cent. or more of the Original Principal Amount; or
 - (ii) 60 per cent. of Net Realisation Proceeds if the principal amount of the Senior Loan is less than 50 per cent. of the Original Principal Amount; or
- (b) for the Barchester Asset, the Toys "R" Us Asset and the Alpha Asset, 55 per cent. of the Net Realisation Proceeds.

Realisation Proceeds Account (Prepayment of the Senior Loan on Disposal in part of Asset)

- (a) On the Loan Payment Date following or on which a Disposal of part of an Asset occurs (or on any Early Payment Date if the Borrower so elects) the Net Realisation Proceeds arising from such Disposal in part shall be applied in prepayment of the Senior Loan **provided that**, if following the Disposal of all parts of an Asset or New Asset the aggregate Net Realisation Proceeds arising from all such Disposals of part are less than the Reduced Release Price for the relevant Asset or New Asset and the outstanding principal amount of the Senior Loan is equal to or more than 50 per cent. of the Original Principal Amount, the Borrower shall prepay the Senior Loan within 20 Business Days in an amount equal to the shortfall between the aggregate relevant Net Realisation Proceeds and the Reduced Release Price for the relevant Asset or New Asset.
- (b) Where the aggregate relevant Net Realisation Proceeds are:
- (i) equal to or greater than the Reduced Release Price and less than the ADA Release Price for the relevant Asset or New Asset;
 - (ii) less than the current Reduced Release Price but the outstanding principal amount of the Senior Loan is less than 50 per cent. of the Original Principal Amount; or
 - (iii) less than the Reduced Release Price for the relevant Asset or New Asset and the outstanding principal amount of the Senior Loan is equal to or more than 50 per cent. of the Original Principal Amount but a prepayment is made to top up the Net Realisation Proceeds to the Reduced Release Price (as set out in paragraph (a) above),
- the difference between the Net Realisation Proceeds (plus top-up in the case of (c)) and the ADA Release Price for the relevant Asset or New Asset shall be treated as a Realisations Proceeds Shortfall Amount.
- (c) Where the aggregate relevant Net Realisation Proceeds are more than the higher of the ADA Release Price and the Outstanding Principal Amount Release Price, the excess shall be deemed to reduce any Realisation Proceeds Shortfall Amounts.

Realisation Proceeds Account – (Payment of Repayable Compensation Payments)

If there are any Repayable Compensation Payments then due and unpaid that relate to the Asset or New Asset whose Net Realisation Proceeds are being applied in prepayment of the Senior Loan as set out in "*Realisation Proceeds Account (Prepayment of the Senior Loan on Disposal in full of Asset)*" and/or "*Realisation Proceeds Account (Prepayment of the Senior Loan on Disposal in part of Asset)*" above, an amount equal to the lower of:

- (a) the amount of the relevant unpaid Repayable Compensation Payments; and
- (b) the Net Realisation Proceeds that are available to be applied,

shall be deducted from the relevant Net Realisation Proceeds and paid to the applicable Relevant Swap Provider in settlement in whole or in part of those Repayable Compensation Payments.

Realisation Proceeds Account (Payments after prepayment of Senior Loan from disposal proceeds and Repayable Compensation Payments)

- (a) Until such time, as an amount equal to the Investor Return Amount has been paid into the Borrower General Account in accordance with the terms of the Security Trust and Intercreditor Deed, on each Loan Payment Date and on the Loan Expected Maturity Date or, if the Senior Loan has been extended in accordance with the Senior Facility Agreement, on the Extended Loan Expected Maturity Date, the Net Realisation Proceeds that have not been applied as set out in "*Realisation Proceeds Account (Prepayment of the Senior Loan on Disposal in full of Asset)*", "*Realisation Proceeds Account (Prepayment of the Senior Loan on Disposal in part of Asset)*" and "*Realisation Proceeds Account (Payment of Repayable Compensation Payments)*" above, shall be applied in the following order:
- (i) *first*, towards payment of any due and unpaid Repayable Compensation Payments to the relevant Relevant Swap Provider;
 - (ii) *secondly*, to prepay the Senior Loan in whole or in part if a Loan Event of Default has occurred and is continuing;
 - (iii) *thirdly*, either:
 - (A) prior to the first anniversary of the Utilisation Date to be credited to the Cash Reserve Account; or
 - (B) on and after the first anniversary of the Utilisation Date to be credited to the Cash Reserve Account until the amount standing to the credit of the Cash Reserve Account reaches the Cash Reserve Required Amount; and
 - (iv) *fourthly*, on and after the first anniversary of the Utilisation Date, as long as the amount standing to the credit of the Cash Reserve Account is at least equal to the Cash Reserve Required Amount to be applied as follows:
 - (A) *first*, if any Realisation Proceeds Shortfall Amount is then outstanding, to be credited to the Repayment Shortfall Account up to the aggregate amount of all Realisation Proceeds Shortfall Amounts;
 - (B) *secondly*, if, after taking into account all prepayments of the Senior Loan to be made on such date pursuant to the terms of the Security Trust and Intercreditor Deed, a Level 1 Repayment Target has been breached for a period that includes not fewer than two consecutive Loan Payment Dates (including the current Loan Payment Date) and has not been cured as set out in "*Repayment of the Senior Loan*" above, to prepay the Senior Loan up to an amount necessary to cure such breach;
 - (C) *thirdly*, if, after taking into account all prepayments of the Senior Loan to be made on such date pursuant to the terms of the Security Trust and Intercreditor Deed, a Level 1 Repayment Target has been breached on the current Loan Payment Date (but not breached on the immediately preceding Loan Payment Date) and has not been cured as set out in "*Repayment of the Senior Loan*" above, to be credited to the Performance Test Cash Trap Account up to an amount necessary to cure such breach;
 - (D) *fourthly*, if, after taking into account all prepayments of the Senior Loan to be made on such date pursuant to the terms of the Security Trust and Intercreditor Deed, the Interest Cover Ratio has fallen below 1.25x and has not been cured (by way of voluntary prepayment or otherwise), to be credited to the Performance Test Cash Trap Account up to an amount necessary to cure such breach;
 - (E) *fifthly*, if any Core Representation Prepayment Amount Payment Breach is continuing, to be credited to the Performance Test Cash Trap Account until the occurrence of the Core Representation Sweep Termination Event;

- (F) *sixthly*, if any Third Party Mezzanine Debt is then outstanding, to the credit of the Mezzanine Debt Account in an amount equal to all amounts due and payable under the applicable Intercompany Mezzanine Finance Documents on that date; and
 - (G) *seventhly*, otherwise, to be credited to the Borrower General Account.
- (b) From and after such time, as an amount equal to the Investor Return Amount has been paid into the Borrower General Account in accordance with the terms of the Security Trust and Intercreditor Deed, on each Loan Payment Date and on either the Loan Expected Maturity Date or, or, if the Senior Loan has been extended in accordance with the Senior Facility Agreement, on the Extended Loan Expected Maturity Date, the Net Realisation Proceeds that have not been applied as set out in "*Realisation Proceeds Account (Prepayment of the Senior Loan on Disposal in full of Asset)*", "*Realisation Proceeds Account (Prepayment of the Senior Loan on Disposal in part of Asset)*" and "*Realisation Proceeds Account (Payment of Repayable Compensation Payments)*" above, shall be applied in the following order:
- (i) *firstly*, in or towards payment of any due and unpaid Repayable Compensation Payments to the applicable Relevant Swap Provider;
 - (ii) *secondly*, to be credited to the Cash Reserve Account until the amount standing to the credit of the Cash Reserve Account reaches the Cash Reserve Required Amount; and
 - (iii) *thirdly*, to prepay the Senior Loan in whole or in part.

"**Investor Return Amount**" means an amount equal to £277,000,000.

Realisation Proceeds Account (Asset Residual Value Net Realisation Proceeds)

On any Loan Payment Date following or on which there has been deposited into the Realisation Proceeds Account any Asset Residual Value Net Realisation Proceeds (or any Early Payment Date if the Borrower so elects), such Asset Residual Value Net Realisation Proceeds shall be applied in prepayment of the Senior Loan in whole or in part.

Realisation Proceeds Account (Report Claims and Consent and Restructuring Fees)

On any Loan Payment Date following or on which there has been deposited into the Realisation Proceeds Account any Net Report Claim or Net Consent and Restructuring Fees which (or any an Early Payment Date if the Borrower so elects), such Net Report Claim or Net Consent and Restructuring Fees shall be applied in prepaying the Senior Loan in whole or in part.

Realisation Proceeds Account (Warranty Claims)

On any Loan Payment Date following or on which there has been deposited into the Realisation Proceeds Account any Net Warranty Claim (or any an Early Payment Date if the Borrower so elects), such Net Warranty Claim shall be applied:

- (a) *first*, in prepaying the Senior Loan in an amount equal to the lower of:
 - (i) that Net Warranty Claim; and
 - (ii) the then current ADA Release Price for the Asset to which such Net Warranty Claim relates; and
- (b) *secondly*, any balance shall be credited to the Borrower General Account.

Realisation Proceeds Account (Insurance Proceeds)

On any Loan Payment Date following or on which there has been deposited into the Realisation Proceeds Account any Asset Level Net Insurance Proceeds or REO Property Net Insurance Proceeds (or any an Early Payment Date if the Borrower so elects), an amount equal to such Asset Level Net Insurance Proceeds or REO Property Net Insurance Proceeds shall be applied in prepayment of the Senior Loan in whole or in part

Realisation Proceeds Account (Core Representation Prepayment Amount)

On any date on which there has been deposited into the Realisation Proceeds Account any Core Representation Prepayment Amount, such Core Representation Prepayment Amount shall be applied as follows:

- (a) *first*, an amount equal to such Core Representation Prepayment Amount less an amount equal to any related Core Representation Prepayment Cash Sweep Amounts that have already been applied in prepayment of the Senior Loan as set out in paragraphs (c)(ii) and (d) of "*Performance Test Cash Trap Account*" below, in prepayment of the Senior Loan in whole or in part; and
- (b) *secondly*, to be credited to the Borrower General Account.

Realisation Proceeds Account (Compensation Payments)

On any Loan Payment Date following or on which certain Compensation Payments have been paid into the Realisation Proceeds Account (or any an Early Payment Date if the Borrower so elects), such Compensation Payments shall be applied in prepayment of the Senior Loan in whole or in part.

Realisation Proceeds Account (Excess Future Funding Obligations Amounts)

On each Loan Payment Date on which any Excess Future Funding Obligations Amounts have been paid into the Realisation Proceeds Account, such Excess Future Funding Obligations Amounts shall be applied in prepayment of the Senior Loan in whole or in part.

Realisation Proceeds Account (Voluntary Prepayments and Mandatory Prepayments)

On each Loan Payment Date and on the Loan Expected Maturity Date or, if the Senior Loan has been extended in accordance with the Senior Facility Agreement, on the Extended Loan Expected Maturity Date (or any an Early Payment Date if the Borrower so elects), the amount of any voluntary prepayments and mandatory prepayments shall be withdrawn from the Realisation Proceeds Account or any other applicable Borrower and WorkoutCo Control Account and applied in prepaying the Senior Loan in whole or in part.

WorkoutCo Proceeds Accounts

All General Realisation Proceeds, Asset Residual Value Realisation Proceeds, Report Claims, Consent and Restructuring Fees and Asset Level Insurance Proceeds arising from all Assets owned by each Asset WorkoutCo (including all Originator Trust Assets, but excluding any Prepaid Core Representation Asset), other than any Realisation Costs, Asset Residual Value Realisation Costs, Report Claim Costs, Consent and Restructuring Fees Costs or Asset Level Insurance Proceeds Costs, shall be paid from the relevant WorkoutCo's WorkoutCo Collection Account into its WorkoutCo Proceeds Account. See "*WorkoutCo Collection Accounts*" above.

Any REO Property Net Disposal Proceeds received by an REO Property WorkoutCo shall be paid into its WorkoutCo Proceeds Account.

Any proceeds arising from any Equity Residual owned by any Asset WorkoutCo shall be paid into its WorkoutCo Proceeds Account and treated as "Net Realisation Proceeds" for the Asset related to such Equity Residual.

On each Loan Payment Date and on the Loan Expected Maturity Date or, if the Senior Loan has been extended in accordance with the Senior Facility Agreement, on the Extended Loan Expected Maturity Date, all amounts standing to the credit of that WorkoutCo Proceeds Account shall be applied:

- (a) *first*, in or towards mandatory prepayment of the applicable WorkoutCo's WorkoutCo/Borrower Intercompany Loan(s) to be credited to the Realisation Proceeds Account; and/or
- (b) *secondly*, in the case of any Asset WorkoutCo the payment of, *pari passu*:
 - (i) any Asset WorkoutCo/Borrower Deferred Consideration then due and payable to be credited to the Realisation Proceeds Accounts; and

- (ii) an amount equal to 1% of (if positive) the aggregate of the Asset WorkoutCo Net Disposal Proceeds relating to each Asset or New Asset owned by that Asset WorkoutCo (taking into account any payments of such amount that have already been made or will be made on the same date from any WorkoutCo Income Accounts as set out in paragraph (g)(ii) of "*WorkoutCo Income Accounts*" below) will be retained in the relevant Asset WorkoutCo's WorkoutCo Proceeds Account at all times except that on any date (i) tax thereon may be paid directly to HMRC and (ii) any distribution of profits may be made from such amounts by the relevant Asset WorkoutCo to Intermediate HoldCo; and
- (c) *thirdly*, any balance to be credited to the Realisation Proceeds Account.

"**Asset WorkoutCo Net Disposal Proceeds**" means the total amount received and retained by any Asset WorkoutCo in respect of an Asset less the total expenses payable by that Asset WorkoutCo (including any initial consideration payable by it for the acquisition of that Asset and any payments under or in respect of any WorkoutCo/Borrower Intercompany Loan made to it in respect of such Asset) following a Disposal in full of that Asset or New Asset and any associated rights by that Asset WorkoutCo.

Realisation Proceeds Account (Estimated Balance)

As at 21 September 2012, the Borrower estimated that on the Loan Payment Date falling in October 2012 approximately £22m will be (i) allocated to the Realisation Proceeds Account and (ii) applied in accordance with the relevant priority of payments relating to the Realisation Proceeds Account as set out in "*Security Trust and Intercreditor Deed – Borrower and WorkoutCo Control Accounts*". This amount is an estimate only and is subject to calculation and agreement with the Senior Agent.

Income Account – Payments in

Payments of all General Income arising from all Assets and New Assets owned by the Borrower (including all Originator Trust Assets, but excluding any Prepaid Core Representation Asset) shall be made from the Beneficiary Collection Account into the Income Account. See "*Beneficiary Collection Account*" above.

All Hedge Payments shall be paid by the Borrower into the Income Account.

"**Hedge Payments**" means:

- (a) all amounts paid to the Borrower under any Borrower Hedge Document (if any);
- (b) all proceeds arising from the sale of any Borrower Swaption by the Borrower; and
- (c) all amounts paid to the Borrower on the expiry of a Borrower Swaption.

Income Account – Pre-Material Event of Default

Prior to the occurrence of any Material Event of Default that is continuing, on each Loan Payment Date and on the Loan Expected Maturity Date or, if the Senior Loan has been extended in accordance with the Senior Facility Agreement, on the Extended Loan Expected Maturity Date, all Income standing to the credit of the Income Account shall be applied in or towards the following items:

- (a) *first, pro rata* and *pari passu*, towards payment to any Asset Existing Swap Provider(s) of any Excess AES Payment(s);
- (b) *secondly, pro rata* and *pari passu*, towards payment of:
 - (i) any due and unpaid costs, fees and expenses of the Borrower Security Trustee (including any due to any receiver or delegate) under the Senior Finance Documents; and
 - (ii) where the Senior Loan is funded through the Issuer to pay to the Issuer any Issuer Note Trustee Costs Fees that relate to Issuer Note Trustee Costs that are then due and payable by the Issuer or any known Senior Issuer Note Trustee Costs which will fall due and

payable by the Issuer during the Loan Interest Period commencing on the applicable Loan Payment Date, to be disbursed to an account that the Issuer directs;

- (c) *thirdly, pro rata and pari passu* among themselves, in or towards payment of:
 - (i) any due and unpaid costs, fees and expenses of the Senior Agent (including any due to any receiver or delegate) under the Senior Finance Documents;
 - (ii) any due and unpaid costs, fees, expenses and indemnities of the Borrower Account Bank under the Senior Finance Documents;
 - (iii) where a Senior Loan is funded through the Issuer to pay to the Issuer any of the Issuer Other Costs Fees that relate to the Issuer Other Costs that are then due and payable by the Issuer or any known Issuer Other Costs which will fall due and payable by the Issuer during the Loan Interest Period commencing on the applicable Loan Payment Date, to be disbursed to an account that the Issuer directs; and
 - (iv) where a Junior Loan is funded through the Junior Issuer, to pay to the Junior Issuer any Junior Issuer Note Trustee Fees then payable pursuant to the Junior Facility Agreement;
- (d) *fourthly, pro rata and pari passu* among themselves, in or towards payment of:
 - (i) to the extent not already paid in accordance with the provisions of paragraph (c)(i) above, any due and unpaid costs, fees and expenses of the Borrower Security Trustee and the Junior Agent (including any due to any receiver or delegate) under the Junior Finance Documents;
 - (ii) where a Junior Loan is funded through the Junior Issuer to pay to the Junior Issuer any Junior Issuer Other Costs Fee payable pursuant to the Junior Facility Agreement; and
 - (iii) the costs of the Obligors in retaining independent directors in accordance with their constitutional documents;
- (e) *fifthly, pro rata and pari passu* among themselves:
 - (i) on the first Loan Payment Date arising in each accounting period of the Borrower, to retain a profit amount for the Borrower of £5,000, to be credited to the Borrower General Account; and
 - (ii) to pay any due and unpaid tax for which Mezzanine Borrower Holdco or any of its subsidiaries is primarily liable (other than in respect of the profit amount retained under sub-paragraph (e)(i) above or any tax incurred by any WorkoutCo that is funded from payments out of any Borrower and WorkoutCo Control Accounts).
- (f) *sixthly*, in or towards payment of an amount equal to the aggregate of:
 - (i) any due and unpaid General Permitted Payments that the Asset Manager has determined should be funded in accordance with the Management Agreement; and
 - (ii) any General Permitted Payments that the Asset Manager has determined will be incurred during the next Loan Interest Period and should be funded in accordance with the Management Agreement,up to an amount equal to the applicable Permitted Payments Cap, to be credited to the Borrower's Permitted Payments Account;
- (g) *seventhly*, in or towards payment of all amounts due and payable to the Borrower Hedge Counterparties under the Senior Finance Documents (if any);
- (h) *eighthly*, in or towards payment of all accrued interest, costs, fees and expenses due and payable to the Senior Lenders and any Asset/REO Property Consideration Loan Lenders under the Senior

Finance Documents (other than any facility fee payable to any Asset/REO Property Consideration Loan Lender under the Senior Facility Agreement);

- (i) *ninthly*, in or towards payment of an amount equal to the aggregate of:
 - (i) any due and unpaid General Permitted Payments that the Asset Manager has determined should be funded in accordance with the terms of the Management Agreement; and
 - (ii) any General Permitted Payments that the Asset Manager has determined will be incurred during the next Loan Interest Period and should be funded in accordance with the terms of the Management Agreement,

to the extent they have not already been funded by way of withdrawals from the Income Account pursuant to sub-paragraph (f) above, to be credited to the Borrower's Permitted Payments Account;

- (j) *tenthly*, to fund the Future Funding Obligations Account up to a maximum aggregate amount of £10,000,000 over the term of the Senior Loan;
- (k) *eleventhly*, to prepay the Senior Loan up to an aggregate amount equal to any current Realisation Proceeds Shortfall Amounts (less any amounts standing to the credit of the Repayment Shortfall Account at that time) and after giving effect to (A) any amounts to be credited to the Repayment Shortfall Account as set out in paragraph (a)(iv)(A) of "*Realisation Proceeds Account (Payments after prepayment of the Senior Loan from disposal proceeds and Repayable Compensation Payments)*" and (B) any deemed reduction of any Realisation Proceeds Shortfall Amount(s) as set out in paragraph (c) of "*Realisation Proceeds Account (Prepayment of the Senior Loan on Disposal in part of Asset)*" above; and
- (l) *twelfthly*, to prepay the Senior Loan in an amount equal to whichever of the following is applicable at such time (after giving effect to any prepayments to be made on such date as set out in "*Realisation Proceeds Account (Prepayment of the Senior Loan on a Disposal in full of Asset)*", "*Realisation Proceeds Account (Prepayment of the Senior Loan on a Disposal in part of Asset)*", "*Realisation Proceeds Account (Payment of Repayable Compensation Payments)*", "*Realisation Proceeds Account (Payments after prepayment of the Senior Loan from disposal proceeds and Repayable Compensation Payments)*", "*Realisation Proceeds Account (Report Claims and Consent and Restructuring Fees)*", "*Realisation Proceeds Account (Warranty Claims)*", "*Realisation Proceeds Account (Insurance Proceeds)*", "*Realisation Proceeds Account (Core Representation Prepayment Amount)*", "*Realisation Proceeds Account (Compensation Payments)*" and "*Realisation Proceeds Account (Voluntary Prepayments and Mandatory Prepayments)*"):
 - (i) if the outstanding principal amount of the Senior Loan is equal to or greater than 50 per cent. of the Original Principal Amount, 80 per cent. of the balance of the amounts standing to the credit of the Income Account (after satisfaction of the items in sub-paragraphs (a) to (k) above) (the "**Remaining Waterfall Amounts**"); or
 - (ii) if the outstanding principal amount of the Senior Loan is less than 50 per cent. of the Original Principal Amount, 60 per cent. of the Remaining Waterfall Amounts.

Income Account – Pre-Material Event of Default and prior to repayment of Investor Return Amount

Until such time, if ever, as an amount equal to the Investor Return Amount has been paid into the Borrower General Account in accordance with the terms of the Security Trust and Intercreditor Deed, on each Loan Payment Date and on the Loan Expected Maturity Date or, if the Senior Loan has been extended in accordance with the Senior Facility Agreement, on the Extended Loan Expected Maturity Date, such Income not yet applied as set out in "*Income Account – Pre-Material Event of Default*" above shall be applied in the following order:

- (a) *first*, to prepay the Senior Loan if a Loan Event of Default has occurred and is continuing;

- (b) *secondly*, either:
 - (i) prior to the first anniversary of the Utilisation Date to be credited to the Cash Reserve Account; or
 - (ii) on and after the first anniversary of the Utilisation Date to be credited to the Cash Reserve Account until the amount standing to the credit of the Cash Reserve Account reaches the Cash Reserve Required Amount;
- (c) *thirdly*, if, after taking into account all prepayments of the Senior Loan made on such date pursuant to the terms of the Security Trust and Intercreditor Deed, a Level 1 Repayment Target has been breached for a period that includes not fewer than two consecutive Loan Payment Dates (including the current Loan Payment Date) and has not been cured as set out in "*Repayment of Senior Loan*", to prepay the Senior Loan up to an amount necessary to cure such breach;
- (d) *fourthly*, on and after the first anniversary of the Utilisation Date, as long as the amount standing to the credit of the Cash Reserve Account is at least equal to the Cash Reserve Required Amount, to be applied as follows:
 - (i) *first*, if, after taking into account all prepayments of the Senior Loan to be made on such date pursuant to the terms of the Security Trust and Intercreditor Deed, a Level 1 Repayment Target has been breached on the current Loan Payment Date (but not breached on the immediately preceding Loan Payment Date) and has not been cured as set out in "*Repayment of Senior Loan*", to be credited to the Performance Test Cash Trap Account up to an amount necessary to cure such breach;
 - (ii) *secondly*, if, after taking into account all prepayments of the Senior Loan to be made on such date pursuant to the terms of the Security Trust and Intercreditor Deed, the Interest Cover Ratio has fallen below 1.25x and has not been cured (whether way of voluntary prepayment or otherwise), to be credited to the Performance Test Cash Trap Account up to an amount necessary to cure such breach;
 - (iii) *thirdly*, if any Core Representation Prepayment Amount Payment Breach is continuing, to be credited to the Performance Test Cash Trap Account until the occurrence of the Core Representation Sweep Termination Event;
 - (iv) *fourthly*, if any Third Party Mezzanine Debt is then outstanding, to credit the Mezzanine Debt Account in an amount equal to all amounts due and payable under the applicable Intercompany Mezzanine Finance Documents on that date; and
 - (v) *fifthly*, otherwise to be credited to the Borrower General Account.

Income Account – Pre-Material Event of Default and after repayment of Investor Return Amount

From and after such time, if ever, as an amount equal to the Investor Return Amount has been paid into the Borrower General Account in accordance with the terms of the Security Trust and Intercreditor Deed, on each Loan Payment Date and on the Loan Expected Maturity Date or, if the Senior Loan has been extended in accordance with the Senior Facility Agreement, on the Extended Loan Expected Maturity Date, such Income not yet applied in prepayment of the Senior Loan as set out in "*Income Account – Pre-Material Event of Default*" and "*Income Account – Pre-Material Event of Default and prior to repayment of the Investor Return Amount*" shall be applied in the following order:

- (a) *first*, to be credited to the Cash Reserve Account until the amount standing to the credit of the Cash Reserve Account reaches the Cash Reserve Required Amount; and
- (b) *secondly*, to prepay the Senior Loan in whole or in part.

Income Account – Post-Material Event of Default

At any time on or after the occurrence of any Material Event of Default that is continuing, on each Loan Payment Date and on the Loan Expected Maturity Date or, if the Senior Loan has been extended in

accordance with the Senior Facility Agreement, on the Extended Loan Expected Maturity Date, the Income standing to the credit of the Income Account shall be applied in the following order:

- (a) *first, pro rata and pari passu*, towards payment to any Asset Existing Swap Provider(s) of any Excess AES Payment(s);
- (b) *secondly, pro rata and pari passu* among themselves in or towards payment of:
 - (i) any due and unpaid costs, fees and expenses of the Borrower Security Trustee (including any due to any receiver or delegate) under the Senior Finance Documents; and
 - (ii) where a Senior Loan is funded through the Issuer, to pay to the Issuer any Issuer Note Trustee Costs Fees that relate to Issuer Note Trustee Costs then due and payable to the Issuer or any known Issuer Note Trustee Costs that will fall due and payable by the Issuer during the Loan Interest Period commencing on the applicable Loan Payment Date (if monies standing to the credit of the credit of the Income Account are being applied on a Loan Payment Date), to be disbursed to an account that the Issuer directs;
 - (iii) where a Junior Loan is funded through the Junior Issuer, to pay any Junior Issuer Note Trustee Fees then payable pursuant to the Junior Facility Agreement;
- (c) *thirdly, pro rata and pari passu* among themselves in or towards payment of:
 - (i) any due and unpaid costs, fees and expenses of the Senior Agent (including any due to any receiver or delegate) under the Senior Finance Documents; and
 - (ii) any due and unpaid costs, fees, expenses and indemnities of the Borrower Account Bank under the Senior Finance Documents;
- (d) *fourthly*, where a Senior Loan is funded through the Issuer, to pay to the Issuer any Issuer Other Costs Fees that relate to Issuer Other Costs then due and payable by the Issuer or any known Issuer Other Costs which will fall due and payable by the Issuer during the Loan Interest Period commencing on the applicable Loan Payment Date (if monies standing to the credit of the Income Account are being applied on a Loan Payment Date), to be disbursed to an account that the Issuer directs;
- (e) *fifthly, pro rata and pari passu* among themselves, in or towards payment of:
 - (i) where a Junior Loan is funded through the Junior Issuer to pay any Junior Issuer Other Costs Fees then payable pursuant to the Junior Facility Agreement; and
 - (ii) the costs of the Obligors in retaining independent directors in accordance with their constitutional documents;
- (f) *sixthly*, on the first Loan Payment Date arising in each accounting period of the Borrower, to retain a profit amount to the Borrower of £5,000, to be credited to the Borrower General Account;
- (g) *seventhly*, in or towards payment of an amount equal to the aggregate of:
 - (i) any due and unpaid General Permitted Payments that the Asset Manager has determined should be funded in accordance with the Management Agreement; and
 - (ii) any General Permitted Payments that the Asset Manager has determined will be incurred during the next Loan Interest Period and should be funded in accordance with the Management Agreement,up to an amount equal to the applicable Permitted Payments Cap, to be credited to the Borrower's Permitted Payments Account;
- (h) *eighthly*, in or towards payment of all amounts due and payable to the Borrower Hedge Counterparties under the Senior Finance Documents;

- (i) *ninthly*, in or towards payment of all accrued interest, costs, fees and expenses due and payable to the Senior Lenders and any Asset/REO Property Consideration Loan Lenders under the Senior Finance Documents (other than any facility fee payable to any Asset/REO Property Contribution Lender under the Senior Facility Agreement);
- (j) *tenthly*, to prepay the Senior Loan;
- (k) *eleventhly*, to pay any other unpaid Senior Secured Obligations;
- (l) *twelfthly*, to pay all other amounts owing by any Obligor to any Senior Finance Party;
- (m) *thirteenthly*, if any Third Party Mezzanine Debt is outstanding, to credit the Mezzanine Debt Account in an amount equal to amounts due and payable under the applicable Intercompany Mezzanine Finance Documents on that date; and
- (n) *fourteenthly*, to be credited to the Borrower General Account.

WorkoutCo Income Accounts

All General Income arising from all Assets and New Assets owned by each Asset WorkoutCo (including all Originator Trust Assets, but excluding any Prepaid Core Representation Asset) shall be paid from its WorkoutCo Collection Account into its WorkoutCo Income Account. See "*WorkoutCo Collection Accounts*" above.

All rental income received directly by an REO Property WorkoutCo (as opposed to being received by an REO Property Manager as contemplated below) shall be paid into its WorkoutCo Income Account.

While an REO Property WorkoutCo has appointed an REO Property Manager and there is no breach of either the REO Property Management Agreement or the related REO Managing Agent's Deed, that REO Property WorkoutCo shall procure that the REO Property Manager:

- (a) collects the rental income from the REO Properties belonging to the applicable REO Property WorkoutCo; and
- (b) subject to deduction of the REO Property Manager's agreed fees, promptly pays all the net rental income so collected directly into the relevant WorkoutCo Income Account.

On each Loan Payment Date and on the Loan Expected Maturity Date or, if the Senior Loan has been extended in accordance with the Senior Facility Agreement, on the Extended Loan Expected Maturity Date, all amounts standing to the credit of that WorkoutCo Income Account shall be applied as follows:

- (a) *first*, to pay into the relevant WorkoutCo's REO Property WorkoutCo Service Charge Proceeds Account an amount equal to any Service Charge Proceeds and any sum representing VAT chargeable in respect of VAT on rental income relating to an REO Property that have been deposited into that WorkoutCo Income Account;
- (b) *secondly, pro rata and pari passu* among themselves:
 - (i) on the first Loan Payment Date arising during each accounting period of a WorkoutCo, to retain a profit amount for the relevant WorkoutCo of £5,000, to be credited to that WorkoutCo's Permitted Payments Account; and
 - (ii) unless a Material Event of Default is continuing (in which case no such payments shall be made), to pay any tax for which the relevant WorkoutCo is primarily liable (other than in respect of the profit amount retained under sub-paragraph (i) above);
- (c) *thirdly*, in or towards payment of an amount equal to the aggregate of:
 - (i) any due and unpaid General Permitted Payments relating solely to that WorkoutCo that the Asset Manager has determined should be funded in accordance with the terms of the Management Agreement; and

- (ii) any General Permitted Payments relating solely to that WorkoutCo that the Asset Manager has determined will be incurred during the next Loan Interest Period and should be funded in accordance with the terms of the Management Agreement,

to the extent that such General Permitted Payments are:

- (A) not capable of being recovered by such WorkoutCo as Service Charge Expenses;
- (B) are not REO Property Disposal Costs that will be netted from REO Property Disposal Proceeds; and
- (C) are not Realisation Costs that will be netted from General Realisation Proceeds from a Disposal by an Asset WorkoutCo,

in each case, to be credited to the applicable WorkoutCo's Permitted Payments Account;

- (d) *fourthly*, in or towards payments of any interest that is due and unpaid from the relevant WorkoutCo to the Borrower under the terms of its WorkoutCo/Borrower Intercompany Loan(s), to be credited to the Income Account;
- (e) *fifthly*, in or towards payments of any principal amortisation that is due and unpaid from the relevant WorkoutCo to the Borrower under the terms of its WorkoutCo/Borrower Intercompany Loan(s) to be credited to the Income Account;
- (f) *sixthly*, in or towards prepayment of its WorkoutCo/Borrower Intercompany Loan(s), to be credited to the Income Account; and
- (g) *seventhly*, in the case of any Asset WorkoutCo the payment of, *pari passu*:
 - (i) any Asset WorkoutCo/Borrower Deferred Consideration then due and payable to be credited to the Income Account; and
 - (ii) an amount equal to 1% of (if positive) the aggregate of the Asset WorkoutCo Net Disposal Proceeds relating to each Asset owned by that Asset WorkoutCo (taking into account any payments of such amount that have already been made or will be made on the same date from any WorkoutCo Proceeds Accounts as set out in paragraph (b)(ii) of "*WorkoutCo Proceeds Accounts*" above)) will be retained in the relevant Asset WorkoutCo's Income Account at all times except that on any date (i) tax thereon may be paid directly to HMRC and (ii) any distribution of profits may be made from such amounts by the relevant Asset WorkoutCo to Intermediate HoldCo; and
- (h) *eighthly*, any balance to be credited to the Income Account.

"REO Managing Agent's Deed" means each agreement between an REO Property Manager, the relevant REO Property WorkoutCo and/or the Asset Manager that has appointed such REO Property Manager, the Senior Agent and the Borrower Security Trustee under which the REO Property Manager covenants with the Senior Agent and the Borrower Security Trustee (amongst other things) to observe and perform the terms of the relevant REO Property Management Agreement.

"REO Property Management Agreement" means any agreement pursuant to which an REO Property WorkoutCo and/or the Asset Manager appoints a property manager in respect of such REO Property WorkoutCo's REO Property.

"REO Property Manager" means each property manager appointed by a REO Property WorkoutCo and/or the Asset Manager pursuant to a REO Property Management Agreement.

Performance Test Cash Trap Account

Collateral Cure Amounts may be credited to the Performance Test Cash Trap Account in order to cure a breach of a Level 1 Repayment Target or a Level 2 Repayment Target. See "*Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Repayment of the Senior Loan*".

Other amounts may be credited to the Performance Test Cash Trap Account from the Income Account and the Realisation Proceeds Account if an interest cover ratio has fallen below 1.25 x and has not been cured, or any Core Representation Prepayment Amount Payment Breach is continuing. See "*Realisation Proceeds Account*" and "*Income Account (Pre-Material Event of Default and prior to repayment of Investor Return Amount)*" above.

- (a) If (and to the extent) requested by the Obligors' Agent any amount standing to the credit of the Performance Test Cash Trap Account on any Loan Payment Date (other than any Collateral Cure Amount) shall be applied in the payment of accrued interest, costs, fees and/or expenses due to the Senior Finance Parties under the Senior Finance Documents.
- (b) If following an Interest Cover Ratio breach, the Interest Cover Ratio fails to reach 1.25x for two consecutive Test Periods, the monies standing to the credit of the Performance Test Cash Trap Account shall be applied in prepayment of the Senior Loan on the third Loan Payment Date to occur after the Interest Cover Ratio breach (see "*Financial Undertakings in relation to the Senior Loan – Interest Cover Ratio*").
- (c) If following an Interest Cover Ratio breach, the Interest Cover Ratio reaches 1.25x for two consecutive Test Periods and **provided that** no Loan Event of Default is continuing and no other Performance Test Breach is subsisting, on the Loan Payment Date immediately following the last day of the second consecutive Test Period any amounts standing to the credit of the Performance Test Cash Trap Account (other than any Collateral Cure Amount that has been paid into the Performance Test Cash Trap Account to cure any outstanding breach of a Level 1 Repayment Target which shall be applied in prepayment of the Senior Loan) shall be applied:
 - (i) *first*, in prepayment of the Senior Loan up to the aggregate amount of all Realisation Proceeds Shortfall Amounts then outstanding;
 - (ii) *secondly*, in prepayment of the Senior Loan in an amount equal to any Core Representation Prepayment Amount then outstanding;
 - (iii) *thirdly*, if any if any Third Party Mezzanine Debt is then outstanding, to the credit of the Mezzanine Debt Account in an amount equal to all amounts due and payable under the applicable Third Party Mezzanine Documents on that date; and
 - (iv) *fourthly*, to the credit of the Borrower General Account.
- (d) If following the occurrence of a Core Representation Prepayment Amount Payment Breach such breach is not remedied by the Loan Payment Date following the Core Representation Breach Prepayment Date, on each Loan Payment Date amounts standing to the credit of the Performance Test Cash Trap Account (each being a "**Core Representation Prepayment Cash Sweep Amount**") shall be applied in prepayment of the Senior Loan until the earlier of the following occurs (in either case, a "**Core Representation Sweep Termination Event**"):
 - (i) an amount equal to Core Representation Prepayment Amount has been paid into the Realisation Proceeds Account; or
 - (ii) the amounts applied in prepayment of the Senior Loan as set out in this paragraph (d) are equal to the relevant Core Representation Prepayment Amount.

See "*Prepayment and Cancellation – Core Representation*".

Repayment Shortfall Account

Payments shall be made from the Realisation Proceeds Account into the Repayment Shortfall Account. See "*Realisation Proceeds Account (Payments after prepayment of Senior Loan and Repayable Swap Losses)*" above.

On each Loan Payment Date and on the Loan Expected Maturity Date or, if the Senior Loan has been extended in accordance with the Senior Facility Agreement, on the Extended Loan Expected Maturity Date, all amounts standing to the credit of the Repayment Shortfall Account shall be applied as follows:

- (a) until such time as an amount equal to the Investor Return Amount has been paid into the Borrower General Account in accordance with the terms of the Security Trust and Intercreditor Deed:
 - (i) *first*, in prepayment of the Senior Loan, up to the aggregate amount of all then outstanding Realisation Proceeds Shortfall Amounts;
 - (ii) *secondly*, if any Third Party Mezzanine Debt is then outstanding, to the credit of the Mezzanine Debt Account in an amount equal to all amounts due and payable under the applicable Third Party Mezzanine Documents on that date; and
 - (iii) *thirdly*, any balance remaining shall be credited to the Borrower General Account; or
- (b) from and after such time as an amount equal to the Investor Return Amount has been paid into the Borrower General Account in accordance with the terms of the Security Trust and Intercreditor Deed, in prepayment of the Senior Loan.

The application of any amounts standing to the credit of the Repayment Shortfall Account as set out in this section "*Repayment Shortfall Account*" or any amounts applied in prepayment of the Senior Loan on account of a Realisation Proceeds Shortfall Amount as set out in paragraphs (i) of "*Income Account (Pre-Material Event of Default)*", (a)(v) of "*Cash Reserve Account*" and (c)(i) of "*Performance Test Cash Trap Account*" shall be deemed to reduce the current aggregate amount of all outstanding Realisation Proceeds Shortfall Amounts by an equal amount (in addition to any deemed reduction of any Realisation Proceeds Shortfall Amount(s) as set out in paragraph (c) of "*Realisation Proceeds Account (Prepayment of the Senior Loan on Disposal in part of the Asset)*").

Future Funding Obligations Account

Payments shall be made from the Income Account into the Future Funding Obligations Account. See "*Income Account (Pre-Material Event of Default)*" above.

All Warner RCF Repayments received by the Borrower shall be paid by it into the Future Funding Obligations Account.

- (a) Unless a Loan Event of Default is continuing, the Borrower may make withdrawals from the Future Funding Obligations Account to be applied in or towards:
 - (i) whilst it owns any of the Alpha Asset, the Market (Pimlico) Asset or the Warner Asset, its obligations to fund any unutilised commitments under the Alpha Asset, the Market (Pimlico) Asset and/or the Warner Asset (including any Warner RCF Repayment that has been paid into and not redrawn from the Future Funding Obligations Account);
 - (ii) if it transfers any of the Alpha Asset, the Market (Pimlico) Asset or the Warner Asset to any Asset WorkoutCo, the funding of any WorkoutCo/Borrower Intercompany Loan(s) to any Asset WorkoutCo who will or does own the Alpha Asset, the Market (Pimlico) Asset and/or the Warner Asset in order to enable that Asset WorkoutCo to fund any unutilised commitments under any of those Assets that it owns (including any Warner RCF Repayment that has been paid into and not redrawn from the Future Funding Obligations Account); and/or
 - (iii) the funding of any WorkoutCo/Borrower Intercompany Loan(s) to Loan Capital Limited (or any other Asset WorkoutCo who will or does own the Multi-Southgate Asset) in order to enable Loan Capital Limited (or any such other Asset WorkoutCo) to make further advances to any Asset Level Obligors with respect to the Multi-Southgate Asset for the purpose of allowing such Asset Level Obligors to fund any costs and expenses incurred by or on behalf of those Asset Level Obligors in relation to the completion of the development of any Asset Level Property indirectly securing the Multi-Southgate Asset up to a maximum of £3,000,000 in aggregate up until the maturity date of the Multi-Southgate Asset.
- (b) If, on any Loan Payment Date, the amount standing to the credit of the Future Funding Obligations Account exceeds the aggregate of:

- (i) the unutilised commitments under the Alpha Asset, the Market (Pimlico) Asset and/or the Warner Asset (including any amount equal to a Warner Asset RCF Repayment that has been repaid into and not redrawn from the Future Funding Obligations Account); and
- (ii) if the maturity date of the Multi-Southgate Asset has not occurred, the £3,000,000 deposited in respect of the Multi-Southgate Asset less all amounts withdrawn from the Future Funding Obligations Account for application in accordance with the provisions of paragraph (a)(iii) above,

(the foregoing sum on any Loan Payment Date, being the then applicable "**Future Funding Obligations**"), the Borrower may retain each and any such amounts in excess of the Future Funding Obligations (each an "**Excess Future Funding Obligations Amount**") in the Future Funding Obligations Account for a period of up to 12 months from the relevant Loan Payment Date that they were each identified as an Excess Future Funding Obligations Amount (each an "**Excess Future Obligations Amount Retention Period**") provided that any retention or application of any Excess Future Funding Obligations Amount in the Future Funding Obligations Account shall not result in a breach of the Tax Deed by any Obligor.

- (c) Unless a Loan Event of Default is continuing, at any time during any Excess Future Obligations Amount Retention Period, the Borrower may:
 - (i) make withdrawals of the whole or any part of any relevant Excess Future Funding Obligations Amount to be applied in or towards expenditure directly by the Borrower or to fund a WorkoutCo/Borrower Intercompany Loan by the Borrower to the applicable Asset WorkoutCo in relation to any of the Echo Asset, the Market (Pimlico) Asset, the Warner Asset and/or the Alpha Asset for any purpose that does not result in a breach of the Tax Deed by any Obligor; and/or
 - (ii) on any Loan Payment Date falling during any Excess Future Obligations Amount Retention Period, withdraw the whole or any part of any relevant Excess Future Funding Obligations Amount for payment into the Realisation Proceeds Account to be applied as set out in "*Realisation Proceeds Account (Excess Future Funding Obligations Amounts)*".
- (d) If at any time during any Excess Future Obligations Amount Retention Period it is not possible for any Excess Future Funding Obligations Amount to be retained in the Future Funding Obligations Account without resulting in a breach of the Tax Deed by any Obligor, on the next Loan Payment Date the Borrower shall deposit any remaining part of that Excess Future Funding Obligations Amount into the Realisation Proceeds Account to be applied as set out in "*Realisation Proceeds Account (Excess Future Funding Obligations Amounts)*".
- (e) On the Loan Payment Date prior to the last business day falling during any Excess Future Obligations Amount Retention Period, the Borrower shall withdraw any remaining part of the relevant Excess Future Funding Obligations Amount for payment into the Realisation Proceeds Account to be applied as set out in "*Realisation Proceeds Account (Excess Future Funding Obligations Amounts)*".
- (f) If a Loan Event of Default is continuing, the Senior Agent may give notice to the Borrower Account Bank that no amount may be withdrawn from the Future Funding Obligations Account without its prior written consent.

Permitted Payments Account

To the extent that any Realisation Costs, Asset Residual Value Realisation Costs, Warranty Costs, Report Claim Costs, Consent and Restructuring Fees Costs or Asset Level Insurance Proceeds Costs, as applicable, have not been paid prior to the time when the related Net Realisation Proceeds, Asset Residual Value Realisation Proceeds, Net Warranty Claim, Net Report Claim, Net Consent and Restructuring Fees or Asset Level Net Insurance Proceeds are being paid into the Realisation Proceeds Account, an amount equal to such unpaid Realisation Costs, Asset Residual Value Realisation Costs, Warranty Costs, Report Claim Costs, Consent and Restructuring Fees Costs or Asset Level Insurance Proceeds Costs, as

applicable, shall be paid directly into the relevant Borrower's or WorkoutCo's Permitted Payments Account.

Payments shall be paid into the Borrower's Permitted Payments Account from the Income Account, Cash Reserve Account and Management Account. See "*Income Account (Pre-Material Event of Default)*" and "*Income Account (Post Material Event of Default)*" above and "*Cash Reserve Account*" and "*Management Accounts*" below.

Any Compensation Payment Costs Payments which the Borrower receives shall be paid directly into its Permitted Payments Account.

To the extent that any REO Property Disposal Costs have not been paid prior to the time when the related REO Property Net Disposal Proceeds are being paid into the relevant WorkoutCo Proceeds Account, an amount equal to such unpaid REO Property Disposal Costs shall be paid directly into the relevant REO Property WorkoutCo's Permitted Payments Account.

To the extent that any REO Property Insurance Proceeds Costs have not been paid prior to the time when the related REO Property Net Insurance Proceeds are being paid into the Realisation Proceeds Account, an amount equal to such unpaid REO Property Insurance Proceeds Costs shall be paid directly into the relevant REO Property WorkoutCo's Permitted Payments Account.

Payments shall be made from each WorkoutCo's Income Account into that WorkoutCo's Permitted Payments Account. See "*WorkoutCo Income Account*" above.

The proceeds of any WorkoutCo/Borrower Intercompany Loans that are lent to any WorkoutCo to fund General Permitted Payments or Contractually Committed Payments of that WorkoutCo shall be paid into that WorkoutCo's Permitted Payments Account.

- (a) Prior to the occurrence of a Loan Event of Default that is continuing, the Borrower is obliged to ensure that any amounts credited to its Permitted Payments Account as set out in paragraphs (d) or (g) of "*Income Account (Pre-Material Event of Default)*" or paragraph (e) of "*Income Account (Post-Material Event of Default)*" are applied in payment of General Permitted Payments in accordance with the terms of the Management Agreement.
- (b) Prior to the occurrence of a Loan Event of Default that is continuing, each WorkoutCo is obliged to ensure that:
 - (i) any amounts credited to its Permitted Payments Account as set out in paragraph (c) "*WorkoutCo Income Accounts*"; and
 - (ii) the proceeds of any WorkoutCo/Borrower Intercompany Loans that are lent by the Borrower to that WorkoutCo to fund Permitted Payments of that WorkoutCo as set out in paragraphs (d) or (g) of "*Income Account (Pre-Material Event of Default)*" or paragraph (e) of "*Income Account (Post-Material Event of Default)*",are applied in payment of General Permitted Payments in accordance with the terms of the Management Agreement.
- (c) Prior to the occurrence of a Loan Event of Default that is continuing, the Borrower is obliged to ensure that any amounts credited to its Permitted Payments Account relating to the payment of Realisation Costs, Warranty Costs, Report Claim Costs, Consent and Restructuring Fees Costs or Asset Level Insurance Proceeds Costs are applied in payment of (or reimbursement of the Asset Manager in respect of) such costs and expenses.
- (d) Prior to the occurrence of a Loan Event of Default that is continuing, the Borrower is obliged to ensure that any amounts credited to its Permitted Payments Account relating to the payment of any Contractually Committed Payment is applied to the payment of (or reimbursement of the Asset Manager in respect of) that Contractually Committed Payment.
- (e) Prior to the occurrence of a Loan Event of Default that is continuing, each WorkoutCo is obliged to ensure that any amounts credited to its Permitted Payments Account relating to the payment of Realisation Costs, Asset Residual Value Realisation Costs, REO Property Disposal Costs or REO

Property Insurance Proceeds Costs are applied in payment of (or reimbursement of the Asset Manager in respect of) such costs and expenses.

- (f) Each WorkoutCo is obliged to ensure that an amount equal to any profit amounts paid into its Permitted Payments Account as set out in paragraph (b)(i) "*WorkoutCo Income Accounts*" is retained in its Permitted Payments Account at all times except that tax thereon may be paid directly to HMRC.
- (g) The Borrower is obliged to ensure that any Compensation Payment Cost Payments that are paid into its Permitted Payments Account are applied in reimbursement or payment of the costs, expenses, damages, losses, penalties and/or fines that such Compensation Payment Cost Payments relate to.
- (h) If a Loan Event of Default is continuing, the Senior Agent may give notice to the Borrower Account Bank that no amount may be withdrawn from the Permitted Payments Account without its prior written consent.

"Compensation Payment Cost Payments" means any payment of any costs, expenses, damages, losses, penalties and/or fines that are paid to the Borrower under the Compensation Deed.

Cash Reserve Account

Payments shall be made from the Realisation Proceeds Account and the Income Account into the Cash Reserve Account. See "*Realisation Proceeds Account (Payments after prepayment of Senior Loan from disposal proceeds and Repayable Compensation Payments)*", "*Income Account (Pre-Material Event of Default and prior to repayment of Investor Return Amount)*" and "*Income Account (Pre-Material Event of Default and after repayment of Investor Return Amount)*" above.

- (a) Unless a Loan Event of Default is continuing, the Borrower may make withdrawals from the Cash Reserve Account to be applied in or towards any of the following in such amounts and order of priority as the Borrower shall determine in its sole discretion from time to time (subject to paragraph (d) below):
 - (i) payment of accrued interest, costs, fees and/or expenses due to the Senior Finance Parties under the Senior Finance Documents;
 - (ii) payments of any unpaid General Permitted Payments that the Asset Manager has determined (acting in accordance with the terms of the Management Agreement) should be funded in accordance with the Emergency Funding Protocol or any due and unpaid Contractually Committed Payments that the Asset Manager has determined should be funded in accordance with the Management Agreement, to be credited to the Borrower's Permitted Payments Account;
 - (iii) the funding of the Borrower's or any Asset WorkoutCo's obligations (as applicable) to fund any unutilised commitments under the Assets and/or New Assets, but only if and to the extent that the then current balance of the Future Funding Obligations Account is insufficient to fund such obligations and that provided with respect to any Asset WorkoutCo's obligations, the Borrower may use funds from the Cash Reserve Account to provide one or more WorkoutCo/Borrower Intercompany Loan for such purpose;
 - (iv) the funding of Collateral Cure Amounts as set out in "*Repayment of the Senior Loan*"; and/or
 - (v) prepayments of the Senior Loan up to the aggregate amount of all Realisation Proceeds Shortfall Amounts then outstanding.

- (b) After the first anniversary of the Utilisation Date the Borrower may (at its sole discretion) transfer any amounts in excess of the Cash Reserve Required Amount standing to the credit of the Cash Reserve Account to:
- (i) *first*, if any Third Party Mezzanine Debt is then outstanding, to the credit of the Mezzanine Debt Account in an amount equal to all amounts due and payable under the applicable Third Party Mezzanine Documents on that date; and
 - (ii) secondly, the Borrower General Account, **provided that**:
 - (A) there is no Performance Test Breach then outstanding;
 - (B) there is no Loan Event of Default continuing; and
 - (C) except if being used for the purposes set forth in paragraph (a)(v) above there is no Realisation Proceeds Shortfall Amount then outstanding.
- (c) If a Loan Event of Default is continuing, the Senior Agent may give notice to the Borrower Account Bank that no amount may be withdrawn from the Cash Reserve Account without its prior written consent.
- (d) If the Senior Agent gives notice in accordance with paragraph (c) above, the Senior Agent shall withdraw any amount standing to the credit of the Cash Reserve Account (to the extent sufficient) to cure any Loan Event of Default relating to the payment of accrued interest payable under the Senior Finance Documents and, in so doing, such Loan Event of Default shall be automatically remedied (a "**Default Interest Remedy Payment**"). The Senior Agent shall only be required to make any Default Interest Remedy Payment no more than in relation to two consecutive Loan Payment Dates and only up to four times during the term of the Senior Loan Facility.

Borrower General Account

Payments are made into the Borrower General Account from the Realisation Proceeds Account, Income Account, Cash Reserve Account, Performance Test Cash Trap Account and Core Representation Asset Account. See "*Realisation Proceeds Account (Payments after prepayment of the Senior Loan from disposal proceeds and Repayable Compensation Payments)*", "*Realisation Proceeds Account (Warranty Claims)*", "*Realisation Proceeds Account (Core Representation Repayment Account)*", "*Income Account (Pre-Material Event of Default and prior to repayment of Investor Return Amount)*", "*Income Account (Post Material Event of Default)*", "*Cash Reserve Account*" and "*Performance Test Cash Trap Account*" above and "*Core Representation Asset Account*" below.

Any Asset Level Obligor Transferred Asset Proceeds that are received by the Borrower or any applicable Asset WorkoutCo shall also be paid into the Borrower General Account.

The Borrower is obliged to ensure that an amount equal to any profit amounts paid into the Borrower General Account as set out in paragraph (e)(i) of "*Income Account (Pre-Material Event of Default)*" or paragraph (e)(i)(B) of "*Income Account (Post-Material Event of Default)*" is retained in the Borrower General Account at all times except that on any date (a) any Tax thereon may be paid directly to HMRC and (b) any distribution of profits may be made from such amounts by the Borrower to Intermediate HoldCo.

Subject to the above, the amounts standing to the credit of the Borrower General Account may only be withdrawn by the Borrower for application against, amongst other things, funding Discretionary Permitted Payments, interest and principal payments in relation to Affiliated Mezzanine Debt and/or Junior Debt and distributions to the equity holders in the Obligors.

Management Accounts

Proceeds of any utilisations of Intercompany Mezzanine Debt, Affiliated Mezzanine Debt and Reconciliation Amounts payable to the Borrower under the Asset Loan Sale Agreement are paid into its Management Account.

Proceeds of any intercompany loans lent to any WorkoutCo by the Borrower to fund Discretionary Permitted Payments shall be paid into the relevant WorkoutCo's Management Account.

Each Obligor is obliged to ensure that any amounts credited to its Management Account in accordance with the terms of the Management Agreement relating to the payment of any Discretionary Permitted Payment shall be promptly paid into its Permitted Payments Account as and when any such Discretionary Permitted Payment becomes a Contractually Committed Payment.

Other than as provided above, whether or not a Loan Event of Default is continuing, each Obligor may make withdrawals from the Management Account to be applied in or towards any purpose.

Core Representation Asset Account

All General Realisation Proceeds and General Income arising from an Asset in relation to which one of the Core Representations was breached and which was subject to a mandatory prepayment event (a "**Prepaid Core Representation Asset**") shall be paid into the Core Representation Asset Account. See "*Beneficiary Collection Accounts*" and "*WorkoutCo Collection Accounts*" above.

The Borrower is obliged to ensure that any amounts of Income or Realisation Proceeds arising from a Prepaid Core Representation Asset that are credited to the Core Representation Asset Account shall be applied as follows:

- (a) *first*, in payment to the relevant Asset Seller in accordance with the terms of the Asset Loan Sale Agreement; and
- (b) *secondly*, if any Third Party Mezzanine Debt is then outstanding, to the credit of the Mezzanine Debt Account in an amount equal to all amounts due and payable under the applicable Third Party Mezzanine Finance Documents on that date; and
- (c) *thirdly*, any balance to the credit of the Borrower General Account.

REO Property WorkoutCo Service Charge Proceeds Accounts

All service charge proceeds and any sum representing VAT chargeable in respect of rental income relating to an REO Property that an REO Property WorkoutCo owns shall be either:

- (a) paid directly into its REO Property WorkoutCo Service Charge Proceeds Account by any REO Property Manager that collects the rental income for that REO Property; or
- (b) paid from its WorkoutCo Income Account into its REO Property WorkoutCo Service Charge Proceeds Account. See "*WorkoutCo Income Accounts*" above.

Each REO Property WorkoutCo is obliged to ensure that any Service Charge Proceeds on deposit in its REO Property WorkoutCo Service Charge Proceeds Account are applied to fund any unpaid or undischarged Service Charges Expenses relating to its REO Property.

Each REO Property WorkoutCo is obliged to promptly account for any VAT received in respect of rental income or REO Property Disposal Proceeds from its REO Property to the relevant tax authority and following the service of a notice by the Senior Agent in accordance with the paragraph below may require the Senior Agent to account for any such VAT in an amount standing to the credit of its REO Property WorkoutCo Service Charge Proceeds Account to the relevant tax authority.

If a Loan Event of Default is continuing, the Senior Agent may give notice to the Borrower Account Bank that no amount may be withdrawn from any REO Property WorkoutCo Service Charge Proceeds Account without its prior written consent.

Ranking of Debt

Each of the parties to the Security Trust and Intercreditor Deed have agreed that the Debt owed by the Obligors to the Senior Finance Parties, the Affiliated Mezzanine Debt Providers and the Junior Finance Parties shall rank as follows:

- (a) *first*, the Senior Debt owed by the Obligors to the Senior Finance Parties;

- (b) *secondly*, any Affiliated Mezzanine Debt owed by the Obligors to the Affiliated Mezzanine Debt Providers; and
- (c) *thirdly*, the Junior Debt owed by the Obligors to the Junior Finance Parties.

Ranking of Borrower Transaction Security

Each of the parties to the Security Trust and Intercreditor Deed have agreed that all existing and future Borrower Transaction Security shall rank and secure the following Debt (but only to the extent that such Borrower Transaction Security is expressed to secure that Debt) in the following order:

- (a) *first*, the Senior Debt;
- (b) *second*, any Affiliated Mezzanine Debt; and
- (c) *third*, the Junior Debt.

Subordinated Liabilities

Each of the parties to the Security Trust and Intercreditor Deed have agreed that the Subordinated Debt is postponed and subordinated to the Debt owed by the Obligors to the Senior Finance Parties, the Affiliated Mezzanine Debt Providers and the Junior Finance Parties.

Subordination Arrangements

Pursuant to the terms of the Security Trust and Intercreditor Deed the parties to that document have agreed that other than as provided in the Security Trust and Intercreditor Deed:

- (a) the rights of any Affiliated Mezzanine Debt Provider in respect of any Affiliated Mezzanine Debt;
- (b) the rights of the Junior Finance Parties in respect of the Junior Debt;
- (c) the rights of each Asset Existing Swap Provider to any Asset Existing Swap Payment;
- (d) the rights of any Core Representation Breach Seller in respect of any Core Representation Breach Recoveries;
- (e) the rights of the Subordinated Creditors in respect of the Subordinated Debt;
- (f) the rights of the DC Beneficiaries in respect of any Residual Amount Payments; and
- (g) the rights of the Relevant Swap Provider in respect of any Repayable Compensation Payments,

are subordinated to the rights of the Senior Finance Parties in respect of the Senior Debt and (unless permitted as described in "*Permitted Payments*" below) payment and receipt of any amount of any Affiliated Mezzanine Debt, the Junior Debt, Asset Existing Swap Payments, Core Representation Breach Recoveries, Residual Amount Payments, Repayable Compensation Payments or the Subordinated Debt is not permitted until the end of the Senior Subordination Period.

The ability of the Borrower Security Trustee to enforce the security granted pursuant to the Junior Issuer Deed of Assignment may be restricted and/or negatively impacted by (i) the conditions of transfer contained in the Junior Facility Agreement and (ii) certain restrictions contained in documentation to which any person becoming a lender under the Junior Facility Agreement is required to accede. In order to reduce the impact of such restrictions, certain outstanding fees under the Management Agreement may be required to be settled prior to a transfer of an interest in the loans outstanding under the Junior Facility Agreement (including a transfer pursuant to an enforcement of the security granted under the Junior Debt Deed of Assignment). As a consequence, notwithstanding the designation of the Asset Manager as a Subordinated Creditor and the resultant subordination of certain amounts payable to the Asset Manager, such subordinated amounts may be required to be paid in advance of amounts ranking senior under the Security Trust and Intercreditor Deed in order to enable the exercise of certain enforcement rights of the Borrower Security Trustee.

"Senior Subordination Period" means the period beginning on 21 December 2011 and ending on the date on which the Senior Agent is satisfied that the Senior Debt has been irrevocably paid and discharged in full.

Winding-up

Pursuant to the terms of the Security Trust and Intercreditor Deed the parties to that document have agreed that on a winding-up, administration or dissolution of an Obligor:

- (a) the claims of any Affiliated Mezzanine Debt Provider in respect of the Affiliated Mezzanine Debt;
- (b) the claims of the Junior Finance Parties in respect of the Junior Debt;
- (c) the claims of each Asset Existing Swap Provider in respect of any Asset Existing Swap Payment;
- (d) the claims of any Core Representation Breach Seller in respect of any Core Representation Breach Recoveries;
- (e) the claims of the Subordinated Creditors in respect of the Subordinated Debt;
- (f) the claims of the DC Beneficiaries in respect of any Residual Amount Payment; and
- (g) the claims of the Relevant Swap Provider in respect of any Repayable Compensation Payment,

will be postponed to the Senior Debt and no amount shall be payable to, and no distributions of assets of any kind may be made to, the persons specified in paragraphs (a) to (g) above in respect of the relevant debts specified in paragraph (a) to (g) above until the end of the Senior Subordination Period.

Non-competition

Pursuant to the terms of the Security Trust and Intercreditor Deed the parties to that document have agreed that until:

- (a) all Senior Debt has been paid and discharged in full; or
- (b) the Senior Agent otherwise directs,

and except as otherwise provided by the Security Trust and Intercreditor Deed, no Junior Intercreditor Party will:

- (i) be subrogated to any rights, Security or moneys held, received or receivable by any Senior Finance Party (or the Senior Agent or any trustee or other agent on its behalf) or be entitled to any right of contribution or indemnity;
- (ii) claim, rank, prove or vote as a creditor of any person or estate in competition with any Senior Finance Party (or the Senior Agent or any trustee or other agent on its behalf) unless instructed to do so by the Senior Agent in which case such Junior Intercreditor Party shall claim, rank, prove or vote as instructed, and in the case of any receipts shall hold the same as set out in "*Turnover*" below; or
- (iii) receive, claim or have the benefit of any payment, distribution or Security from or on account of any person (other than, in the case of the Asset Existing Swap Provider, the Core Representation Breach Sellers, the DC Beneficiaries, the Relevant Swap Provider, the Affiliated Mezzanine Debt Providers and the Junior Finance Parties only, the Borrower Transaction Security).

Amendments to Senior Finance Documents

Pursuant to the Security Trust and Intercreditor Deed, prior to the occurrence of a Loan Event of Default which is continuing, no Obligor nor any Senior Finance Party may (without the written consent of any Affiliated Mezzanine Agent and the Junior Agent) amend or supplement any provision of any of the

Senior Finance Documents (or give any waiver, release or consent having the same commercial effect) in a manner or to an extent which would result in:

- (a) any amendment to provisions of the Senior Facility Agreement relating to the Borrower and WorkoutCo Control Accounts which would make such provisions inconsistent with the provisions of Security Trust and Intercreditor Deed relating to the Borrower and WorkoutCo Control Accounts and the application of amounts standing to the credit of such accounts;
- (b) an amendment or waiver constituting a change to the date of payment of any amount under the Senior Finance Documents;
- (c) an amendment or waiver constituting an increase in the principal amount of the Senior Loan;
- (d) an amendment or waiver constituting an increase in the applicable margin specified in the Senior Facility Agreement or the inclusion of an additional margin in the Senior Facility Agreement;
- (e) an amendment or waiver constituting an increase in any fees or commission; or
- (f) an amendment or waiver which would result in the Borrower becoming liable to make additional or increased payments not provided for in the Senior Finance Documents as at the date of the Security Trust and Intercreditor Deed.

Pursuant to the Security Trust and Intercreditor Deed, except as each Asset Existing Swap Provider, Core Representation Breach Seller and/or Relevant Swap Provider has expressly consented to in writing, no Obligor nor any Senior Finance Party will amend or supplement any provision of any of the Senior Finance Documents (or give any waiver, release or consent having the same commercial effect) in a manner or to an extent which would result in any amendment to provisions of the Senior Facility Agreement relating to the payment to and/or control of monies relating to, the relevant Asset Existing Swap Provider, Core Representation Breach Seller and/or Relevant Swap Provider and which would be materially prejudicial to the relevant Asset Existing Swap Provider, Core Representation Breach Seller and/or Relevant Swap Provider.

Pursuant to the Security Trust and Intercreditor Deed, the Senior Agent and the Borrower may not designate a document as a "**Finance Document**" for the purposes of the Senior Facility Agreement if the terms of such document would breach the above restrictions without the consent of the persons whose consent would be otherwise required under the above restrictions.

The Senior Finance Parties may otherwise amend or waive the terms of the Senior Finance Documents (other than the Security Trust and Intercreditor Deed or any Borrower Security Document) in accordance with their terms.

Receipts

Pursuant to the Security Trust and Intercreditor Deed, each of the Junior Intercreditor Parties have agreed that subject to certain exceptions it shall not without the prior written consent of the Senior Agent:

- (a) receive any distribution or payment (whether in respect of principal, interest, fees or otherwise) made by an Obligor of all or any of the debt owed to it (whether by way of cash, loan, set-off, in kind (excluding, for the avoidance of doubt, the contractual capitalisation of interest or payment-in-kind of interest by way of conversion of such interest into principal debt amounts pursuant to the terms of the Affiliated Mezzanine Finance Documents, the Junior Finance Documents, The Subordinated Debt documentation) other than a payment which is permitted as set out in "**Permitted Payments**";
- (b) discharge any Junior Debt, any Affiliated Mezzanine Debt, any Asset Existing Swap Payment, any Core Warranty Breach Recovery, any Residual Amount Payment, any Repayable Compensation Payment or Subordinated Debt each a "**Junior Intercreditor Debt**" (as applicable) (whether by way of set-off, combination of accounts or otherwise);
- (c) other than in accordance with the terms of the Security Trust and Intercreditor Deed, assign, transfer or otherwise dispose of, or make demand for, all or any of the relevant Junior

Intercreditor Debt or all or any rights which it may have against an Obligor in respect of all or any part of the relevant Junior Intercreditor Debt;

- (d) receive directly or indirectly from any Obligor any Security for any of the relevant Junior Intercreditor Debt except for the Borrower Transaction Security;
- (e) receive directly or indirectly from any Obligor any guarantee, indemnity or other assurance against loss in respect of any of the relevant Junior Intercreditor Debt except for any guarantee or indemnity arising under the Affiliated Mezzanine Finance Documents or the Junior Finance Documents (as applicable);
- (f) take or permit to be taken, any action or step to commence or continue any proceedings against an Obligor, or take any action in respect of, all or any of the relevant Junior Intercreditor Debt (including, without limitation, the exercise of any right of set-off, counterclaim or lien);
- (g) take, or permit to be taken, any action or step with a view to the winding-up, receivership or administration (or any analogous proceeding) of an Obligor;
- (h) take or omit to take any action or step whereby the subordination of all or any of the relevant Junior Intercreditor Debt to the Senior Debt might be terminated, impaired or adversely affected; or
- (i) subordinate the relevant Junior Intercreditor Debt to any person.

Payments

- (a) No Obligor shall without the prior written consent of the Senior Agent (prior to the expiry of the Senior Subordination Period):
 - (i) make any payment (whether in respect of principal, interest or otherwise) on account of all or any of the Junior Intercreditor Debt (whether by way of cash, loan or otherwise) other than a payment which is permitted as set out in "*Permitted Payments*" below;
 - (ii) redeem, purchase or otherwise acquire, or grant Security in respect of, all or any of the Junior Intercreditor Debt except in the case of the Junior Intercreditor Debt (other than the Subordinated Debt) only, the Borrower Transaction Security;
 - (iii) take, or permit to be taken, any action or step with a view to the winding-up, receivership or administration of an Obligor;
 - (iv) pay, repay or prepay any interest, default interest, fees or commissions (but without prejudice to the accrual thereof) on, or by reference to, all or any of the Junior Intercreditor Debt other than a payment which is permitted as set out in "*Permitted Payments*" below; or
 - (v) take or omit to take any action or step whereby the subordination of all or any of the Junior Intercreditor Debt might be terminated, impaired or adversely affected.

Restrictions on Enforcement

No Junior Intercreditor Party may, without the prior consent of the Senior Agent prior to the end of the Senior Subordination Period:

- (a) request the Borrower Security Trustee to enforce the Borrower Transaction Security for the relevant Junior Intercreditor Debt by sale, possession, appointment of a receiver or otherwise;
- (b) initiate or support the taking of any steps with a view to any insolvency, liquidation, reorganisation, administration or dissolution proceedings or any voluntary arrangement or assignment for the benefit of creditors or any similar proceedings involving an Obligor, whether by petition, convening a meeting, voting for a resolution or otherwise; or
- (c) otherwise exercise any remedy for the recovery of any of the relevant Junior Intercreditor Debt against an Obligor under any Junior Intercreditor Debt documentation.

Permitted Payments

- (a) So long as no Loan Event of Default is continuing or would occur as a result of any such payment or receipt any Junior Intercreditor Party or Obligor may receive and retain any amount withdrawn from the Borrower and WorkoutCo Control Accounts set up in accordance with each of the Junior Facility Agreement and Senior Facility Agreement to the extent permitted by the waterfall provisions of the Security Trust and Intercreditor Deed as described above.
- (b) Notwithstanding the occurrence of any Loan Event of Default that is continuing each Asset Existing Swap Provider, Core Representation Breach Seller and Relevant Swap Provider, shall be solely entitled to:
 - (i) the payments payable to it in accordance with the waterfall provisions described above; and
 - (ii) after any enforcement of any Borrower Transaction Security any net proceeds of enforcement that are derived from its interest in any Third Party Excluded Asset.

Turnover

So long as the Senior Subordination Period is continuing, if any Junior Intercreditor Party receives or recovers:

- (a) any payment in cash or in kind, or any distribution of, or on account of or for the purchase or other acquisition of, or otherwise in relation to, all or any part of the Junior Intercreditor Debt;
- (b) any amount by way of set-off in respect of all or any part of the Junior Intercreditor Debt owed to it which does not give effect to a payment permitted by the Security Trust and Intercreditor Deed; or
- (c) the proceeds of any enforcement of any Borrower Transaction Security or guarantee for any of the Junior Intercreditor Debt,

in each case in contravention of the subordination provisions and undertakings of the Security Trust and Intercreditor Deed, the Junior Intercreditor Party concerned will:

- (i) in relation to receipts and recoveries described in paragraphs (a) and (c) above, hold an amount of that receipt or recovery equal to the amount necessary to repay in full the Senior Debt (or if less, the amount actually received or recovered) on trust for the Senior Agent and promptly pay that amount to the Senior Agent for application in accordance with the Security Trust and Intercreditor Deed and the Senior Finance Documents; and
- (ii) in relation to recoveries described in paragraph (b) above, promptly pay an amount equal to that recovery to the Senior Agent for application in accordance with the Security Trust and Intercreditor Deed and the Senior Finance Documents.

In the event of payment being made to, or Security being held by, or the benefit of any right of set-off or counterclaim being exercised by, any Junior Intercreditor Party in breach of the Security Trust and Intercreditor Deed or any payment or distribution being made to any Junior Intercreditor Party by any liquidator or other person, the relevant Junior Intercreditor Party will:

- (a) prior to the end of the Senior Subordination Period (if the Junior Intercreditor Party concerned actually receives the amount discharged or purported to be discharged or is granted any Security) hold an amount of that receipt or recovery equal to the Senior Debt on trust for the Senior Agent and promptly pay that amount to the Senior Agent; and
- (b) prior to the end of the Senior Subordination Period if the Junior Intercreditor Party concerned does not for any reason actually receive the amount discharged or purported to be discharged) promptly pay an amount equal to that amount so discharged or purported to be discharged to the Senior Agent for application in or towards payment of all the Junior Debt),

in each case for application in accordance with the Security Trust and Intercreditor Deed.

Exercise of Junior Intercreditor Party rights

Until the end of the Senior Subordination Period, in the event that:

- (a) an Obligor is declared bankrupt, is dissolved or enters into liquidation, is annulled as a legal entity, or similar officer is appointed over it or any substantial part or all its revenues and assets, or any corporate action or other steps are taken or legal proceedings are started by or against an Obligor with a view to any of the above events (or any similar or equivalent events in any other jurisdiction); or
- (b) any Loan Event of Default is continuing,

the Senior Agent may, and is hereby irrevocably authorised and empowered (in its own name or in the name of any Junior Intercreditor Party or otherwise) but will have no obligation to:

- (i) demand, sue for, collect and/or secure every payment or distribution of assets of an Obligor to which the Junior Intercreditor Parties would be entitled in respect of the Junior Intercreditor Debt (as applicable); and
- (ii) file claims and proofs of claim in the name of any Junior Intercreditor Party in relation to the relevant Junior Intercreditor Debt or take any other action as the Senior Agent may deem necessary or advisable for the exercise or enforcement of any of the rights or interests of the Senior Finance Parties.

Enforcement

Until the end of the Senior Subordination Period, the Borrower Security Trustee will enforce the Borrower Transaction Security arising under the Senior Finance Documents, the Affiliated Mezzanine Finance Documents and the Junior Finance Documents only at the request of the Senior Agent in accordance with the Senior Finance Documents. At all times after the request to commence enforcement has been issued and subject to the terms of the Security Trust and Intercreditor Deed, the Borrower Security Trustee will act on the directions of the Senior Agent who shall be entitled to give directions and do any other things in relation to the enforcement of the relevant Borrower Transaction Security (including in connection with, but not limited to, the disposal, collection or realisation of assets subject to the relevant Borrower Transaction Security) that it considers appropriate including (without limitation) determining the timing and manner of enforcement against any particular person or asset.

If at any time during the Senior Subordination Period, the Borrower Security Trustee has taken or is taking any enforcement action, the Senior Agent shall be permitted to instruct each Affiliated Mezzanine Finance Party, each Junior Finance Party, each DC Beneficiary and each Subordinated Creditor to:

- (a) compromise, cancel or terminate all or part of the Affiliated Mezzanine Debt, the Junior Debt, the obligations of the Borrower to pay any Residual Amount Payment or Deferred Consideration or the Subordinated Debt (as applicable) and release all or part of the Affiliated Mezzanine Debt, the Junior Debt or the Subordinated Debt (as applicable) (together with any other liabilities thereunder (whether past, present or future and whether actual or contingent));
- (b) enforce, take (or omit to take) any steps to enforce or require the enforcement of all or part of the Affiliated Mezzanine Debt, the Junior Debt or the Subordinated Debt (as applicable);
- (c) cast its vote in any proposal put to the vote by or under the supervision of any judicial or supervisory authority in respect of any insolvency, pre-insolvency or rehabilitation or similar proceedings relating to any debtor of an Obligor; or
- (d) take any other action in respect of any Affiliated Mezzanine Debt, the Junior Debt or the Subordinated Debt (as applicable).

Promptly upon receipt of any such instruction or instructions, each Affiliated Mezzanine Finance Party, each Junior Finance Party and each Subordinated Creditor shall give effect to such instructions in such manner as the Senior Agent shall direct.

Subject to the rights of any prior or preferential encumbrances or creditors the net proceeds of enforcement of any Borrower Transaction Security (other than (A) any net proceeds derived from Third Party Excluded Assets which the Asset Existing Swap Provider, Core Representation Breach Sellers or Relevant Swap Provider are entitled to as Intercreditor Deed Permitted Payments and (B) the amount of any profit amounts paid into the Borrower General Account and retained in that account as set out in "*Borrower General Account*" above) shall be paid to the Senior Agent (prior to the end of the Senior Subordination Period) and applied in the following order:

- (a) *first*, in payment of all costs and expenses incurred by or on behalf of the Senior Agent in connection with such enforcement;
- (b) *secondly*, in payment to the Senior Agent for application towards the balance of the Senior Debt in such order as the Senior Agent may decide;
- (c) *thirdly*, in payment to the Affiliated Mezzanine Debt Providers for application towards the balance of the Affiliated Mezzanine Debt in such order as the Affiliated Mezzanine Agent may decide; and
- (d) *fourthly*, in payment to the Junior Agent for application towards the balance of the Junior Debt in such order as the Junior Agent may decide.

"Intercreditor Deed Permitted Payments" means any payment to a Junior Finance Party, Subordinated Creditor or Obligor that is permitted pursuant to the terms of the Security Trust and Intercreditor Deed.

OTHER BORROWER TRANSACTION DOCUMENTS

The Tax Deed of Covenant

The obligations of each member of the Isobel Group are supported by a deed of covenant (the "**Tax Deed**") originally entered into on 21 December 2011 and amended and restated on 12 January 2012 and on or prior to the Closing Date. Under the Tax Deed, *inter alia*:

- (a) each of the Isobel Group members make certain representations, warranties and covenants in relation to its tax affairs and the tax affairs of its group; and
- (b) RBS makes certain representations, warranties and covenants in relation to its tax affairs insofar as they may impact on the Isobel Group.

These representations, warranties and covenants are made in favour of the Isobel Group members, RBS and Isobel Holding S.à r.l. The parties to the Tax Deed agree to procure that the affairs of the Isobel Group are conducted so that they are treated for tax purposes in a manner which conforms with the description set out in Schedule 1 to the Tax Deed, the primary objective being that Borrower is and remains subject to UK corporation tax as a securitisation company under the Taxation of Securitisation Companies Regulations SI 2006/3296.

The Tax Deed also includes certain rights in favour of RBS for so long as it remains associated with the Isobel Group in relation to administration of general affairs, and the conduct of tax claims involving the Isobel Group.

The Tax Deed is governed by, and is to be construed in accordance with, English law.

Borrower Swaptions

The Borrower entered into seven cash netted swaptions (the "**Borrower Swaptions**") with a AAA rated entity on 5 April 2012 to mitigate the impact that adverse interest rate movements may have on the recovery on the Property Loans. A payment of £15m was paid. The pay out of the swaptions was aligned to the exposure profile of the Property Loan Portfolio by staggering the exercise dates of the swaptions to cover the period in which adverse interest rate movements could have the greatest impact on the recovery on the Property Loans.

Corporate Officer Agreement

Structured Finance Management Limited was appointed as Corporate Officer Provider under the Corporate Officer Agreement to appoint an Independent Director to each of the Borrower, Loan Capital Limited and any subsequent WorkoutCo that is incorporated, for the purpose of voting in any meeting of the Borrower or Loan Capital Limited regarding the winding up of the company, the appointment of an administrator or similar officeholder to the company, the institution of proceedings to have the company adjudicated bankrupt or insolvent and certain other insolvency related actions.

"**Independent Director**" means a duly appointed member of the board of directors of the relevant entity who should not have been, at the time of such appointment, or at any time in the preceding five years: (i) a direct or indirect legal or beneficial owner in such entity or any of its affiliates (excluding *de minimus* ownership interests); (ii) a creditor, supplier, employee, officer, director, family member, manager, or contractor of such entity or its affiliates; or (iii) a person who controls (whether directly, indirectly, or otherwise) such entity or its affiliates or any creditor, supplier employee, officer, director, manager of contractor of such entity or its affiliates).

MEZZANINE FUNDING

Senior Facility Agreement Undertakings – Mezzanine debt

The Borrower may receive further funding from, at any time prior to a securitisation of the Junior Loan, any Junior Lender or their affiliates or, at any time following a securitisation of the Junior Loan, holders of the Junior Debt Instruments or any affiliate thereof (the "**Affiliated Mezzanine Debt Providers**") (the "**Affiliated Mezzanine Debt**") **provided that** no Insolvency Event of Default has occurred or would occur as a result of receiving that further funding. Any such Affiliated Mezzanine Debt must be made on arms length terms consistent with the Mezzanine Funding Agreement and the Security Trust and Intercreditor Deed and be incurred in accordance with the Mezzanine Funding Protocol and otherwise in accordance with the terms of the Management Agreement and the Senior Facility Agreement. No security may be granted in favour of the junior party (other than the Borrower Transaction Security) and the relevant junior creditor must accede to the Security Trust and Intercreditor Deed (to the extent that they are not already a party). See also below the summary of the Mezzanine Funding Protocol.

Third party mezzanine debt may also be advanced into the structure by a third party lender ("**Third Party Mezzanine Debt**") and together with any Affiliated Mezzanine Debt (the "**Mezzanine Debt**"). A third party must lend any such amounts of Third Party Mezzanine Debt to the Mezzanine Borrower HoldCo and that entity must on-lend the proceeds to the Borrower by way of intercompany loan (the "**Intercompany Mezzanine Debt**").

Third Party Mezzanine Debt may only be provided if no insolvency Loan Event of Default has occurred or would occur as a result of the Borrower incurring the Intercompany Mezzanine Debt and such Intercompany Mezzanine Debt is provided on arms length terms consistent with the terms set out in the Senior Facility Agreement, the Mezzanine Funding Agreement, the Mezzanine Funding Protocol and the Management Agreement.

The Obligors' Agent must provide the Senior Agent at least 20 Business Days' notice of the Mezzanine Borrower HoldCo's intention to incur Third Party Mezzanine Debt and the Third Party Mezzanine Lender must be a Permitted Transferee. The Third Party Mezzanine Finance Parties and the Mezzanine Borrower HoldCo must enter into an intercreditor deed which complies with the terms set out in the Senior Facility Agreement and be in form and substance reasonably acceptable to both the Senior Majority Lenders and the provider of the Third Party Mezzanine Debt. Similarly, any of the intercompany mezzanine finance documents entered into in connection with the Intercompany Mezzanine Debt and any Third Party Mezzanine Finance Documents must comply with the provisions set out in the Senior Facility Agreement and otherwise be in a form and substance satisfactory to the Lenders (acting reasonably). The Senior Finance Parties must be given security over the Mezzanine Borrower HoldCo's interest in the Intercompany Mezzanine Debt and over any Third Party Mezzanine Finance Party's interest in any security granted support to the Third Party Mezzanine Debt (other than the share charge taken over the shares in the Mezzanine Borrower HoldCo).

A summary of the terms of any Third Party Mezzanine Debt is as follows:

- (a) the rights of Mezzanine Borrower HoldCo in respect of the Intercompany Mezzanine Debt (and the rights of any Third Party Mezzanine Finance Party in relation to the Third Party Mezzanine Debt) is fully subordinated to the rights of the Senior Finance Parties under the Senior Finance Documents;
- (b) the Third Party Mezzanine Debt shall be secured by: (i) a first ranking pledge over the shares of Mezzanine Borrower HoldCo (the "**Mezzanine Borrower HoldCo Share Charge**"); and (ii) second-ranking security from each Obligor, HoldCo and Mezzanine Borrower HoldCo;
- (c) the Senior Finance Parties may enforce their security at any time subject to certain grace periods. The purpose of the grace periods is to allow the third party mezzanine lenders to make cure payments or, in respect of any Loan Event of Default capable of being remedied within 10 Business Days of enforcement of the Mezzanine Borrower HoldCo Share Charge, enforce the Mezzanine Borrower HoldCo Share Charge;

- (d) the Third Party Mezzanine Finance Parties and Mezzanine Borrower HoldCo shall, on written request, do such acts and things as to enable the Senior Finance Parties to take enforcement action;
- (e) the Third Party Mezzanine Finance Parties will have no right to take any enforcement action (including the initiation of insolvency proceedings) and the Mezzanine Borrower HoldCo will have no right to take any enforcement action (including the initiation of insolvency proceedings) with respect to the Intercompany Mezzanine Debt until the Senior Secured Obligations have been discharged in full;
- (f) the Third Party Mezzanine Finance Parties may, on 2 Business Day's notice, enforce the Mezzanine Borrower HoldCo Share Charge if there is an event of default continuing under the Third Party Mezzanine Debt finance documents, if the Senior Finance Parties commence enforcement action or if an Insolvency Event of Default occurs with respect to Mezzanine Borrower HoldCo;
- (g) the enforcement of the Mezzanine Borrower HoldCo Share Charge is subject to the following: (i) all outstanding defaults under the Senior Finance Documents being cured within the applicable grace periods; (ii) the Third Party Mezzanine Finance Parties becoming disenfranchised from exercising any voting rights in the intercreditor deed governing the relationship between the Third Party Mezzanine Lenders and the Borrower Secured Parties; (iii) within 10 Business Days of enforcement of the Mezzanine Borrower HoldCo Share Charge all Loan Events of Default which are capable of remedy being remedied; (iv) the entity purchasing the shares of Mezzanine Borrower HoldCo acceding to the Security Trust and Intercreditor Deed; and (v) any non-payments continuing to be cured after the enforcement of the Mezzanine Borrower HoldCo Share Charge;
- (h) enforcement action may only be taken once under the Mezzanine Borrower HoldCo Share Charge;
- (i) enforcement of the Mezzanine Borrower HoldCo Share Charge shall not, in itself, trigger a mandatory prepayment event or a Senior Loan Event of Default **provided that** after enforcing the Mezzanine Borrower HoldCo Share Charge, the shares in the Mezzanine Borrower HoldCo and Intermediate HoldCo (and the Intercompany Mezzanine Debt) continue to be held (legally and beneficially) by the third party mezzanine lender or acquisition entity (as applicable). If this is not complied with, the third party mezzanine lender will be obliged to discharge the Senior Secured Obligations in full;
- (j) cure payments may be made for non-payment, to cure a breach of a Level 1 Repayment Target or to ensure that the Interest Cover Ratio is at least 1.25x under the Facility. Cures for non-payment may not be made on more than two immediately successive Loan Payment Dates and may not be used more than four times in total. Cures to remedy a breach of a Level 1 Repayment Target or in relation to the Interest Cover Ratio are unlimited. Cure payments may not be made if it would result in an Insolvency Event of Default;
- (k) the third party mezzanine lender may purchase the senior debt following a default arising from non-payment, an Insolvency Event of Default or following the enforcement of the Senior Loan. The third party mezzanine lenders will then have 15 Business Days following receipt of the notice specifying the relevant default to choose whether to purchase the Senior Secured Obligations. The purchase must be completed within a further 15 Business Days;
- (l) prior to a Loan Event of Default, certain amendments may not be made to the Senior Finance Documents without the consent of the majority of third party mezzanine lenders, including an increase to the amount of (or change to the timing or calculation of) any payments of principal, interest or other sums due under the Senior Finance Documents or a change (or grant of consent in relation to) an amendment to the Disposals which are permitted under the Senior Facility Agreement (subject to certain exceptions). If the third party mezzanine lenders do not respond within 10 Business Days of a request, their consent will be deemed to be given; and

- (m) certain amendments may not be made to the Third Party Mezzanine Finance Documents or the intercompany mezzanine finance documents without the consent of the Senior Agent (acting on the instructions of the Senior Majority Lenders) including a change in the amount of, the timing of or the calculation of payments under the Third Party Mezzanine Finance Documents and the intercompany mezzanine finance documents, a change to the Disposal provisions or an amendment to the definition of release amount;

payments to the Third Party Mezzanine Finance Parties are only permitted prior to a Loan Event of Default from funds standing to the credit of the Mezzanine Debt Account (see "*Realisation Proceeds Account – Payments after prepayment of the Senior Loan from disposal proceeds and Repayable Compensation Payments*," "*Income Account – Pre-Material Event of Default and prior to repayment of Investor Amount*" and "*Post-Material Event of Default*.")

"Mezzanine Debt Account" means any account maintained by Mezzanine Borrower HoldCo for the purposes of receiving payments due under any Intercompany Mezzanine Finance Documents.

Mezzanine Funding Protocol

The Mezzanine Funding Protocol governs the creation of Mezzanine Debt, whether Third Party Mezzanine Debt or Affiliated Mezzanine Debt. The Mezzanine Funding Protocol provides that as soon as practicable following the Asset Manager determining that a Permitted Payment should be made out of Mezzanine Debt, the Asset Manager shall deliver to each Affiliated Mezzanine Debt Provider (with a copy to each holder of Ordinary Deferred Consideration (each an "**ODC Beneficiary**")) a proposal (an "**Additional Funding Proposal**") setting out:

- (a) the amount of the proposed Mezzanine Debt issuance;
- (b) the Asset Manager's confirmation that:
 - (i) when aggregated with all other outstanding Mezzanine Debt funded in accordance with the Mezzanine Funding Protocol, the Mezzanine Debt requested will not (at the date of the Additional Funding Proposal) exceed the lower of 20 per cent. of the aggregate projected recovery value of the Managed Assets as per the then applicable Business Plan and £200,000,000;
 - (ii) the Mezzanine Debt requested will be issued at par; and
 - (iii) the Mezzanine Debt will be subordinated in all respects to the Senior Debt;
- (c) the proposed date (which must be at least 5 Business Days prior to the Target Permitted Payment Date (as defined below)) on which the requested Mezzanine Debt or relevant proportion thereof must be committed by the relevant Mezzanine Debt provider (the "**Mezzanine Debt Commitment Date**");
- (d) the Asset Manager's calculation of each Affiliated Mezzanine Debt Provider *pro rata* share of the Mezzanine Debt requested (calculated according to the outstanding principal balance of the Junior Loan or Junior Debt Instruments (as applicable) held by the relevant Affiliated Mezzanine Debt Provider and the aggregate outstanding principal balance of the Junior Loan or Junior Debt Instruments (as applicable)) (the "**Pro rata Share**");
- (e) details of the Permitted Payment which will be funded (in whole or in part) by the requested Mezzanine Debt;
- (f) the interest rate (and any other returns) proposed to be payable on the requested Mezzanine Debt, which shall not exceed the lower of 12 per cent. per annum (including any origination fees payable to the Asset Manager or to any other person in connection with the issuance of the requested Mezzanine Debt) and the applicable market rates taking into consideration the seniority of the Mezzanine Debt to the Junior Loan; and
- (g) any additional information that the Asset Manager considers that the Affiliated Mezzanine Debt Providers may reasonably require in order to make a properly informed decision as to whether or not to subscribe for the requested Mezzanine Debt.

As soon as reasonably practicable following a request made by an Affiliated Mezzanine Debt Provider or an ODC Beneficiary the Asset Manager shall provide to the relevant Affiliated Mezzanine Debt Provider or ODC Beneficiary any additional information in the Asset Manager's possession (or that the Asset Manager is able to obtain without unreasonable effort or expense) as the relevant Affiliated Mezzanine Debt Provider or ODC Beneficiary may reasonably request in order to enable them to make a properly informed investment decision with regard to the proposed Mezzanine Debt Issuance.

Following receipt of an Additional Funding Proposal each Affiliated Mezzanine Debt Provider shall have the right (which may be exercised by an affiliate of the relevant Affiliated Mezzanine Debt Provider) to subscribe for up to its *Pro rata* Share until 5p.m. on the Mezzanine Debt Commitment Date (the period from delivery of an Additional Funding Proposal to 5p.m. on the Mezzanine Debt Commitment Date being the "**Initial Subscription Period**") and shall, as soon as reasonably practicable following receipt but, in any event, no later than 5 Business Days after receipt or, if sooner, the end of the Initial Subscription Period, submit to the Asset Manager a notice (a "**Mezzanine Funding Notice**") confirming the amount of the requested Mezzanine Debt that the relevant Affiliated Mezzanine Debt Provider commits to subscribe for.

On receipt of a Mezzanine Funding Notice from an Affiliated Mezzanine Debt Provider the Asset Manager shall submit a copy to each other Affiliated Mezzanine Debt Provider and each ODC Beneficiary and, at the end of the Initial Subscription Period, shall notify each Affiliated Mezzanine Debt Provider and ODC Beneficiary of the amount of Mezzanine Debt, if any, that has not been subscribed for (the "**Shortfall**").

If, by the end of the Initial Subscription Period, an Affiliated Mezzanine Debt Provider has not delivered a Mezzanine Funding Notice in which it has committed to subscribe for its entire *Pro rata* Share, the right of that Affiliated Mezzanine Debt Provider to subscribe for the balance of its *Pro rata* Share shall terminate and each Affiliated Mezzanine Debt Provider that has committed to subscribe for the full amount of its *Pro rata* Share (a "**Full Subscriber**") and each ODC Beneficiary shall have the right (which may be exercised by an affiliate of the relevant Full Subscriber or ODC Beneficiary) to subscribe for all or part of the Shortfall by submitting to the Asset Manager a supplemental notice (a "**Supplemental Mezzanine Funding Notice**") (a copy of which the Asset Manager shall submit to each other Affiliated Mezzanine Debt Provider and ODC Beneficiary) at any time during the period from the end of the Initial Subscription Period until 5p.m. on the second Business Day before the date (the "**Target Permitted Payment Date**") on which the Asset Manager has determined that the Permitted Payment should be made (the "**Supplemental Subscription Period**").

If the Asset Manager determines that, because of the urgency with which the relevant Discretionary Permitted Payment is required to be made, the Initial Subscription Period and/or Supplemental Subscription Period must be reduced, then the Asset Manager shall have the right to shorten such periods by the amount that the Asset Manager determines to be necessary taking into account such circumstances (provided that the Initial Subscription Period shall not be shorter than 5 Business Days).

If more than one Full Subscriber and/or ODC Beneficiary serves a Supplemental Mezzanine Funding Notice such that an amount greater than the Shortfall has been subscribed for then the Asset Manager shall allocate the Shortfall:

- (a) *first*, between the relevant Full Subscribers (or the relevant affiliate of each Full Subscriber) in accordance with their *pro rata* share of the Shortfall (calculated according to the outstanding principal balance of the Junior Loan or Junior Debt Instrument (as applicable) held by the relevant Full Subscriber and the aggregate outstanding principal balance of the Junior Loan or Junior Debt Instrument (as applicable) held by all relevant Full Subscribers) or otherwise as the Asset Manager shall determine to be equitable in the circumstances; and
- (b) *second*, between the relevant ODC Beneficiaries (or the relevant affiliate of each ODC Beneficiary) in accordance with their *pro rata* share of the Shortfall (calculated according to the percentage such ODC Beneficiary holds of the Ordinary Deferred Consideration) or as the Asset Manager considers equitable.

The submitting of a Mezzanine Funding Notice or Supplemental Mezzanine Funding Notice by an Affiliated Mezzanine Debt Provider or an ODC Beneficiary (or their affiliate) constitutes a binding commitment on the part of the relevant person to subscribe for the amount of Mezzanine Debt that they

have specified in the relevant notice. The relevant person must then subscribe for that amount by depositing it with Deutsche Bank AG, London Branch (in its capacity as the Borrower Account Bank) for deposit into the Management Account by no later than 2p.m. on the Mezzanine Debt Commitment Date (in the case of a Mezzanine Funding Notice) or by 2p.m. on the Business Day prior to the Target Permitted Payment Date (in the case of a Supplemental Mezzanine Funding Notice).

If the full amount of the Mezzanine Debt requested has not been subscribed for by the end of the Supplemental Subscription Period, the Asset Manager may (but is not obliged to) seek subscriptions for the unsubscribed amount from third parties. The Asset Manager is also entitled to reduce on a *pro rata* basis the amount of Mezzanine Debt subscribed for by the relevant Affiliated Mezzanine Debt Provider and/or ODC Beneficiaries (or their Affiliates, as the case may be) if the Asset Manager determines, acting reasonably, that it will only be possible to achieve subscriptions from third parties if the amount offered to any one or more third parties is in excess of the unsubscribed amount.

Any Mezzanine Debt provided by any third party:

- (a) shall only be used to make the Permitted Payment contemplated in the related Additional Funding Proposal;
- (b) may be issued on terms that the Asset Manager considers appropriate but must not be issued until the Asset Manager has confirmed in writing to HoldCo that:
 - (i) when aggregated with all other outstanding Mezzanine Debt, the Mezzanine Debt requested will not (at the date of the Additional Funding Proposal) exceed the lower of 20 per cent. of the aggregate projected recovery value of the Managed Assets as per the applicable Business Plan and £200,000,000;
 - (ii) the Mezzanine Debt requested will be issued at par; and
 - (iii) the Mezzanine Debt will be subordinated in all respects to the Senior Debt and will comply with the relevant terms of the Senior Facility Agreement; and
- (c) must bear interest (and any other returns) at a rate that does not exceed the lower of 12 per cent. per annum (including any origination fees payable to the Asset Manager or to any other person in connection with the issuance of the requested Mezzanine Debt) and the applicable market rates (taking into consideration the seniority of the Mezzanine Debt to the Junior Debt).

ASSET LEVEL BORROWER HEDGING

Description of the Asset Existing Swaps

In respect of the majority of Property Loans, the relevant Asset Level Borrowers are exposed to interest and/or inflation risks. In order to hedge these risks, such Asset Level Borrowers have entered into interest and/or inflation swaps (the "**Asset Existing Swaps**") with either RBS or NatWest (each an "**RBS Swap Provider**"). Furthermore, in the case of 4 Assets, the Asset Level Borrowers have entered into Asset Existing Swaps either with banks in addition to RBS Swap Provider or with banks other than RBS Swap Provider (which, together with a RBS Swap Provider, means a "**Asset Existing Swap Provider**").

The provisions of the Asset Existing Swaps vary. However, a large number of Asset Existing Swaps (each a "**Typical Asset Existing Swap**") specifies that if an insolvency-related event under the terms of the relevant Property Loan occurs or if such Property Loan is accelerated, then this would either constitute an event of default or an additional termination event under the relevant Typical Asset Existing Swap.

Furthermore, a Typical Asset Existing Swap specifies that if the related Asset Level Borrower fails to make a payment when due to the relevant RBS Swap Provider, then following the expiry of the specified grace period (if any), this would constitute an event of default under such Typical Asset Existing Swap.

A Typical Asset Existing Swap also includes a provision for early termination in whole or part in the event of a prepayment of the related Property Loan.

In respect of each Asset that has one or more Asset Existing Swaps with an RBS Swap Provider, such RBS Swap Provider and the Borrower have agreed to a true-up mechanism to take into account any excess monies received by either party. For instance, the true-up mechanism would apply if either party were to receive excess monies not in accordance with the expected pre- or post-enforcement rankings of both parties' exposures (both to Asset Existing Swaps and Property Loans) as set out above.

ASSET MANAGEMENT

Management Agreement

The Asset Manager

The Asset Manager has been appointed pursuant to the terms of the Management Agreement to manage the Managed Assets and provide to HoldCo and each of its subsidiary undertakings from time to time (together, the "**Managed Companies**" and each a "**Managed Company**") certain asset management services, loan administration services, restructuring services, hedging services, know-your-customer services, cash management services, corporate, accounting and tax compliance services, valuation services, reporting services and originator trust services (together, the "**Services**"), as more particularly described below.

The Asset Manager is an indirect wholly-owned subsidiary of The Blackstone Group L.P. (NYSE: BX) or "**Blackstone**". Blackstone is an established and global investment and advisory firm, with, as at 30 June 2012, 1,661 employees across 23 offices worldwide. The firm is a partner to many of the world's top institutional investors, and through its various investment vehicles, as at 30 June 2012, its investment professionals administer over US\$190 billion in assets for public and corporate pension funds, academic, cultural and charitable organizations, among many others. Blackstone's alternative asset management businesses include the management of private equity funds, real estate funds, hedge fund solutions, credit-oriented funds and closed-end mutual funds. Blackstone Affiliates also provide various financial advisory services, including financial and strategic advisory, restructuring and reorganization advisory and fund placement services.

Blackstone's real estate business is a worldwide private equity real estate investment business with real estate assets under management of US\$50.2 billion as of June 30, 2012. The firm's real estate holdings are significant in scale and broadly diversified, encompassing office, hotel, industrial, healthcare, retail and multi-family properties. The firm also has significant depth and breadth of experience in the acquisition, ownership and management of complex operating real estate. Blackstone Affiliates are the world's largest owner of hotels, as well as the owner of one of the largest portfolios of office buildings in the United States. In 2008, the real estate business launched a complementary debt investment business known as Blackstone Real Estate Debt Strategies ("**BREDS**"). BREDS was created in response to the dislocation in the global real estate and credit markets. Recognising there was an opportunity as banks retreated from providing real estate debt, BREDS focuses on providing liquidity to new borrowers, banks with legacy commercial real estate exposure as well as liquid real estate debt investments and new loans. BREDS focuses on high yield debt investments but with an emphasis on capital preservation and current income. Its primary investment targets are the acquisition of performing and sub-performing loans, CMBS and new mezzanine loan origination. BREDS currently has an investment team of 25 professionals and is a market leading provider of debt investment opportunities with more than \$4 billion of assets under management.

In the UK, Blackstone's real estate team consists of over 100 experienced staff members managing six existing funds that own more than £1 billion of assets with over 1,500 tenants. The Asset Manager forms a core component of Blackstone's real estate debt strategies business in Europe. The Asset Manager has a dedicated senior team of staff members combining over 40 years of real estate experience in areas including principal investment, loan portfolio management, origination and restructuring. The Asset Manager is supported by management and reporting structures, systems and processes common to Blackstone and is able to access and utilise Blackstone's deep real estate investment expertise through its staff member and management network.

The Isobel Group Investor

Isobel Holding S.à r.l. (the "**Isobel Group Investor**") is indirectly owned by certain Blackstone Affiliates. The Isobel Group Investor is a *société à responsabilité limitée* registered with the Luxembourg Register of Commerce and Companies under registration number B166165 and having its registered offices at 19 rue de Bitbourg, L-1273 Luxembourg. The entire issued share capital of the Isobel Group Investor is held by Blackstone (Isobel) Upper L.P., an exempted limited partnership registered in the Cayman Islands with registered number 53725 and whose registered office is at c/o Walkers Corporate Services Limited, Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9005, Cayman Islands ("**Upper LP**"). Upper LP is directly and indirectly owned by a number of Blackstone Affiliates.

Sub-Asset Manager – Delegation to Blackstone Real Estate Debt Advisors UK Limited

The Asset Manager has delegated certain services to Blackstone Real Estate Debt Advisors UK Limited ("**BREDA**") as Sub-Asset Manager .

Sub-Asset Manager – Delegation to CBRELS

The Asset Manager has also delegated certain Loan Administration Services to CBRELS as Sub-Asset Manager under the CBRE Management Delegation Agreement. CBRELS was established in 2005 to provide loan servicing in the UK and Europe and jointly holds the highest S&P rating among UK servicers.

Managed Assets

The "**Managed Assets**" comprise:

- (a) each Asset;
- (b) each New Asset;
- (c) any interest in a loan acquired by the Borrower (and any ancillary rights) using funds standing to the credit of the Borrower's Permitted Payments Account for the purposes of acquiring a Co-Lender Amount and/or making an Intercreditor Cure Payment (see "*Permitted Payments*" section below);
- (d) each Equity Residual; and
- (e) each real property owned by Loan Capital Limited, Isobel EquityCo Limited (but only if and when it acquires an Asset or enters into a New Asset) or any Asset WorkoutCo or REO Property WorkoutCo (each being a "**WorkoutCo**").

Business Plans and Workout Strategies

Under the Management Agreement the Asset Manager must manage each Asset by reference to that Asset's business plan (each a "**Business Plan**"). As part of each Business Plan, each Asset has been categorised into one of a number of different strategies (each a "**Workout Strategy**") as at the Fund Closing Date.

Some of the Workout Strategies anticipate more day-to-day active management by the Asset Manager in order to develop the final strategy for their realisation (each an "**Active Workout**"), whilst the other categories of Workout Strategy anticipate less active management by the Asset Manager in order to achieve a reasonably high realisation value of the relevant Assets (each a "**Passive Workout**").

Property Loans with an Active Workout strategy may be subject to one or more of the following outcomes: restructuring (including where appropriate extensions), non-consensual enforcement, consensual enforcement, discounted pay-off or a sale of the Property Loan (or in some cases a combination of some of these strategies). However, although the Property Loans have already been categorised into Workout Strategies, it is possible for the Asset Manager to change the realisation strategy and corresponding Workout Strategy for each Asset and, where applicable, any New Asset.

(See "Asset Management Services" section below for more details of the Asset Manager's obligations in relation to the Business Plans and Workout Strategies).

Management Standard

The Asset Manager is required to perform the Services and its obligations under the Management Agreement in accordance with the "**Management Standard**" which is the standard that would be applied by a high quality, market-leading manager of assets similar to the Managed Assets performing substantially similar services and in accordance with the following (and in the following order):

- (a) requirements of laws and regulation;
- (b) the express requirements of the underlying Asset Level Finance Documents; and

- (c) the express requirements of the Management Agreement and other related transaction documents, the Group Strategy and the memorandum and articles of association (or equivalent) of each Managed Company.

The "**Group Strategy**" is the strategy of managing the Managed Assets in a manner that will:

- (a) optimise returns;
- (b) not involve any Managed Company acquiring assets other than the Managed Assets or those assets that may be acquired by the making of a Discretionary Permitted Payment through the application of the Cash Diversion Protocol or the Mezzanine Funding Protocol (see "*Permitted Payments*" and "*The Management Accounts - Making Discretionary Permitted Payments*" sections below); and
- (c) not involve any Managed Company incurring any expenditure or indebtedness other than by making a Permitted Payment (see "*Permitted Payments*" section below), as contemplated in the priorities of payments set out in the Security Trust and Intercreditor Deed or indebtedness incurred under the WorkoutCo/ Borrower Intercompany Loan facility pursuant to the Senior Facility Agreement.

The Asset Manager is also required to perform the Services and its obligations under the Management Agreement in compliance with applicable laws, including but not limited to, anti-bribery and corruption laws.

Asset Management Services

The asset management services to be provided in relation to each Managed Asset, including, but not limited to:

- (a) determining the steps to be taken in order to implement each Business Plan and reviewing each Business Plan on an ongoing basis;
- (b) subject to obtaining the consent of HoldCo on certain matters (as to which see further below), modifying each Business Plan from time to time in a manner that is consistent with the Group Strategy;
- (c) considering applications for consent, modification and waiver made by any Obligor and, to the extent consistent with the Management Standard and having obtained any necessary consent of HoldCo (as to which, see further below), negotiating on behalf of the Borrower in relation to those applications (see section entitled *Loan Administration Services*);
- (d) determining steps to be taken in light of any Managed Asset defaults and, if appropriate, appointing and liaising with receivers or administrators and determining on what basis to call for valuations of the Asset Level Properties;
- (e) advising each WorkoutCo (in accordance with the protocol set out in the Senior Facility Agreement and, as applicable, taking into account applicable environmental laws, regulations and assessments) in relation to:
 - (i) bids by that WorkoutCo to buy from an Asset Level Obligor, or acquire through any enforcement action, any Asset Level Property or other assets securing an Asset or New Asset, including any Credit Bid Restructuring Event; and
 - (ii) any transfer of any relevant Managed Asset from the Borrower prior to the issuance of any Equity Residual in respect of that Managed Asset;
- (f) developing plans, consistent with the Group Strategy, with respect to each Managed Asset owned by a WorkoutCo and managing the financing arrangements of any WorkoutCo to enable it to comply with its financial obligations in relation to deferred consideration amounts payable to the Borrower; and

- (g) calculating the amount of all payments that any Managed Company will be required to make and determining whether sufficient funds will be available from the relevant bank accounts.

Entrenched rights

The primary obligation on the Asset Manager is to perform the services under the Management Agreement in accordance with the Management Standard. However, in certain circumstances, the discretion which the Asset Manager has to manage the Managed Assets in accordance with that standard is restricted. In particular, if the Asset Manager wishes to change some key elements of the way it approaches the workout/resolution of a Managed Asset, it will need to seek the consent of HoldCo before doing so. Those entrenched rights include a change in the Asset's Workout Strategy which would result in a change of strategy, a significant change in the projected recovery value or a material change in the projected recovery date.

Loan Administration Services

The Asset Manager has been appointed to perform certain loan administration services (the "**Loan Administration Services**") in relation to each Managed Asset. The Loan Administration Services include:

- (a) dealing with the administrative aspects of applications for consents, modifications and waivers, processing drawdown requests and related conditions precedent, processing prepayment and repayment notices, preparing redemption statements, preparing default letters, perfecting security interests (as applicable) and accelerating and enforcing security;
- (b) obtaining all information and reports (including Compliance Certificates) to be provided by any Obligor and monitoring financial, insurance and other covenants; and
- (c) corresponding and liaising with Obligors and facility agents appointed in respect of any Managed Asset and providing them with notifications relating to the relevant Managed Assets.

KYC Services

The Asset Manager will provide certain know-your-customer services (the "**KYC Services**") including by ensuring that the Borrower:

- (a) is registered with the FSA for anti-money laundering purposes;
- (b) determines and demonstrates as appropriate, in accordance with The Money Laundering Regulations 2007 (the "**MLRs**"), the extent of its customer due diligence obligations and on-going risk monitoring obligations and completes all necessary measures required in accordance with the MLRs; and
- (c) handles and processes any personal data in accordance with the requirements of the UK Data Protection Act 1998 and remains registered with the Information Commissioner's Office in relation to its collection and processing of any personal data.

Cash Management Services

The Asset Manager (acting, as applicable, with any facility agent and/or account bank) will provide the following cash management services ("**Cash Management Services**"):

- (a) performing calculations, reconciliations and validations, instructing payment processing and maintaining records in respect of amounts paid under the Asset Level Finance Documents in respect of each Managed Asset;
- (b) calculating and administering payments due to or by the Borrower and ensuring that each Managed Company exercises its rights, and performs its obligations, in relation to the payment of monies into the various transaction bank accounts and confirming to the facility agent under the Senior Facility Agreement all amounts so transferred;

- (c) making administrative arrangements to enable the deposit of mezzanine debt made available through the application of the Mezzanine Funding Protocol; and
- (d) providing any WorkoutCo with cash management and bank account administration services required to enable the relevant WorkoutCo's Managed Assets to be administered in accordance with the relevant Business Plan.

Corporate, Accounting and Tax Services

The Asset Manager will provide corporate, accounting and tax compliance functions to the Managed Companies including the following:

- (a) Nominating (i) either (1) one individual who is tax resident and principally based in the UK; or (2) a third party body corporate who is at all times tax resident only in the UK to serve as company secretary of each Managed Company; and (ii) nominating individuals who are tax resident and principally based in the UK to serve as the directors of each Managed Company (other than HoldCo), and to the extent required based on the ultimate ownership of the Asset Manager, procuring the removal of such individuals or body corporate from those positions;
- (b) preparing consolidated monthly management accounts for the Borrower, each WorkoutCo and EquityCo and consolidated audited accounts for the group made up of the Managed Companies prepared in accordance with International Financial Reporting Standards and liaising with external auditors;
- (c) ensuring that each Managed Company (other than HoldCo) is at all times tax resident only in the UK, pays all taxes required by law in the time and manner required by law, files all necessary records and returns with the tax authorities, complies with each of the Managed Companies respective obligations under the Tax Deed, and has all appropriate registrations, licences and authorities required in connection with any ownership of the Managed Assets and/or the performance of its duties under relevant transaction documents;
- (d) ensuring that no Managed Company (other than HoldCo) enters into any contract other than on arm's length terms, has any employees, acquires the shares or securities of a person other than shares in a wholly-owned subsidiary undertaking of HoldCo, enters into a partnership, profit sharing or joint venture agreement, creates or acquires a subsidiary undertaking, disposes of shares disposes of shares in a subsidiary undertaking or disposes of a Managed Asset of a subsidiary undertaking; and
- (e) ensuring that the Borrower transfers any relevant Managed Asset to a WorkoutCo on arm's length terms prior to the issuance of an Equity Residual in respect of that Managed Asset and that any acquisition of a Asset Level Property which forms security in respect of any Managed Asset is made by a WorkoutCo and not by the Borrower.

Valuation Services

The Asset Manager is required to:

- (a) arrange, or work to enable the relevant facility agent to arrange, as applicable, valuations of the Asset Level Properties no less frequently than annually in order to determine their market value;
- (b) review and update, no less than quarterly, the recovery value of each Managed Asset by reference to changes in, among other things, the value of the underlying Asset Level Properties and the market for transfer of assets materially similar to the relevant Managed Asset; and
- (c) obtain, or liaise with third parties to obtain, mark to market valuations for all hedging instruments which could effect the recovery value of the Managed Assets and mark-to-market valuations for the swaptions relating to the Managed Assets.

General Reporting Services

The Asset Manager is responsible for providing certain reporting services ("**General Reporting Services**") including, but not limited to, the following:

- (a) providing to the Borrower, the board and the shareholders on a quarterly basis a report which shall include in relation to the relevant quarter (unless otherwise agreed by HoldCo and the Asset Manager or if the Asset Manager has already provided the information to the Borrower and the board):
 - (i) an executive summary of the status of each Managed Asset;
 - (ii) details of activities and events with respect to each Managed Asset and Asset Level Property such as changes in the property manager, entry into settlement agreement with Obligors, defaults or triggering of cash sweeps or traps under the Asset Level Finance Documents, disposals of Managed Assets or Asset Level Properties or changes to the applicable Business Plan;
 - (iii) descriptions of each Managed Asset including by reference to the status of the Managed Assets (on a quarterly and cumulative basis and detailing principal and interest collections), Asset Level Property types, geographical locations, rent rolls, operating and capital expenditure and current disposal efforts, outstanding balances of the Property Loans, details of any disposals and any non-disposal prepayments, amendments to the Business Plans and any amounts received by the Borrower or any WorkoutCo (and the amount of any related third party costs) in relation to any claim by or on behalf of an Obligor against the provider of any due diligence report or valuation, any fees (other than exit fees payable on a realisation of a Managed Asset) payable by an Obligor in relation to any consent granted by the Borrower to an amendment or restructuring of a Managed Asset, any claim for a breach of representation or warranty made by the Borrower against a Seller under the terms of the Asset Loan Sale Agreement and any claim under an insurance policy relating to a Asset Level Property;
 - (iv) a remittance report detailing all payments made under the priorities of payments set out in the Security Trust and Intercreditor Deed, detailing all payments in excess of £50,000 made from each Permitted Payments Account and each Management Account, summarising the payments made from the Borrower General Account, the Cash Reserve Account and the other bank accounts of the Managed Companies and summarising all Permitted Payments made;
 - (v) a detailed report of any exceptions to compliance with "know your customer" matters; and
 - (vi) summaries of tax information, financial accounting and the latest interest cover ratio provided under the Senior Facility Agreement;
- (b) providing to each Managed Company and the Board information relating to the Managed Assets and the Asset Manager's performance under the Management Agreement as they may reasonably request for the purposes of complying with applicable law and regulation and enabling the preparation of all statutory reporting; and
- (c) maintaining an up-to-date list of persons working for it (whether as agent, contractor or consultant) who have access to information concerning the Managed Assets and providing it to the Board or any relevant Governmental Authority or regulatory authority upon request.

Originator Trust Services

The originator trust services require the Asset Manager to exercise all rights, powers and discretions of each Designated Trustee appointed pursuant to the Declaration of Trust Deed and provide the Designated Trustees with information given or received by the Asset Manager in its capacity as the delegate of each Designated Trustee.

Sub-Contracting and Professional Advice

The Asset Manager is entitled to delegate the performance of all or any of the Services to a sub-contractor, sub-agent, delegate or representative (each a "**Sub-Contractor**") provided that, in relation to Loan Administration Services, Cash Management Services, KYC Services and General Reporting Services, HoldCo has granted its prior written consent. Such consent, however, is not required:

- (a) in the case of a delegation of the Loan Administration Services, Cash Management Services or General Reporting Services to CBRE Loan Services Limited ("**CBRELS**") on or about the date of the Management Agreement; or
- (b) in the case of a delegation of any of the Services to an affiliate of the Asset Manager.

In circumstances where the Asset Manager delegates the performance of any of the Services to a Sub-Contractor, the Asset Manager remains responsible for the performance of its obligations.

Any Sub-Contractor must enter into a duty of care agreement (substantially in the form set out in the Management Agreement or as the Asset Manager and HoldCo may agree) and the Asset Manager shall bear the costs, fees and expenses incurred by any Sub-Contractor unless such amounts constitute overhead costs.

The Asset Manager is also entitled to appoint specialist professional advisors including, without limitation, any lawyer, accountant, auditor or tax advisor (each a "**Professional Advisor**") if it determines that it is required to do so in order to provide the Services in the manner required under the Management Agreement. The costs of any such engagement will be reimbursed by the Borrower in the circumstances described under "*Permitted Payments*" below.

Fees and Expenses

The Asset Manager is entitled to be paid, on a quarterly basis in arrear, a fee equal to 0.30% per annum of the aggregate outstanding principal balance of the Property Loans or, in respect of any Managed Asset acquired by a WorkoutCo, the outstanding principal balance of the related Property Loan on the date of acquisition less any realisation proceeds in relation to that Property Loan received by any Managed Company (the "**Management Fee**").

Other than as described below (see "*Permitted Payments*", "*Indemnification and Conduct of Legal Proceedings*" and "*Term and Termination*" sections below), the Asset Manager will not be entitled to be reimbursed in respect of any costs and expenses incurred by it in connection with it performing the Services or any of its duties under the Management Agreement.

Permitted Payments

The Asset Manager may make Permitted Payments in order to provide the Services and perform its duties under the Management Agreement. The funds for Permitted Payments will be derived from the following sources:

- (a) in the case of General Permitted Payments from amounts standing to the credit of the Managed Companies' Permitted Payments Accounts (see "*Security Trust and Intercreditor Deed – Borrower WorkoutCos Control Accounts – Permitted Payments Account*"); and
- (b) in the case of Discretionary Permitted Payments from amounts standing to the credit of the Managed Companies' Management Accounts (see "*Security Trust and Intercreditor Deed – Borrower WorkoutCos Control Accounts – Management Accounts*").

Each Managed Company is obliged to ensure that any amounts credited to its Management Account in accordance with the terms of the Management Agreement relating to the payment of any Discretionary Permitted Payment shall be promptly paid into its Permitted Payments Account as and when any such Discretionary Permitted Payment becomes a Contractually Committed Payment.

The Borrower's Permitted Payments Account has been pre-funded in the amount of £5,000,000 on the Fund Closing Date and provisions exist to permit the Permitted Payments Account of each Managed Company (including the Borrower) to be funded from other sources, including by virtue of application of the Mezzanine Funding Protocol.

As at 10 July 2012 the funds standing to the credit of the Borrower's Permitted Payments Account equal £2,816,935.31.

The Borrower's Management Account has been pre-funded in the amount of £30,567,735 on the Fund Closing Date.

The Management Accounts - Making Discretionary Permitted Payments

The Asset Manager must make all Discretionary Permitted Payments solely using funds standing to the credit of the relevant Managed Company's Management Account.

The Borrower's Management Account was pre-funded in the amount of £30,567,735 on the Fund Closing Date. After the Fund Closing Date, the Management Account of each Managed Company (including the Borrower) may be funded from other sources by virtue of the application of the Cash Diversion Protocol and the Mezzanine Funding Protocol. In the case of the Borrower Management Account, it may be further funded from payments under the Security Trust and Intercreditor Deed and in the case of any WorkoutCo Management Account, it may be further funded by the making of any WorkoutCo/Borrower Intercompany Loans that are lent to such WorkoutCo to fund Discretionary Permitted Payments (other than Contractually Committed Payments).

As at 10 July 2012 the funds standing to the credit of the Borrower's Management Account equal £4,997,979.99.

Liability of the Asset Manager

The Asset Manager will indemnify each Managed Company (and its employees, officers, directors or agents) against any claims, liabilities, losses, damages, costs or expenses to which any Managed Company (and its employees, officers, directors or agents) may be or become subject as a result of the negligence, bad faith, wilful misconduct or fraud of the Asset Manager (or any of its delegates) or a breach of the Management Agreement by the Asset Manager.

The Asset Manager will not otherwise be liable for any act (or omission) by it in connection with the performance of the Services except to the extent caused by its or its agents' or employees' negligence, bad faith, wilful misconduct or fraud or a breach by the Asset Manager of the terms of the Management Agreement.

In connection with the Asset Manager's obligations under the Management Agreement, the Asset Manager will at all times during the term of the Management Agreement until the date falling 3 years after the expiration or termination of the Management Agreement (either in its own name or through an affiliate) use commercially reasonable efforts to maintain adequate professional indemnity insurance of no less than US \$50,000,000 in respect of any one claim and require its agents, sub-contractors and delegates to maintain similar adequate professional indemnity insurance.

Indemnification and Conduct of Legal Proceedings

Each Managed Company is obliged to indemnify the Asset Manager and its employees, members, officers, directors, partners, principals or agents against any actual or threatened legal proceedings taken against the Asset Manager or any Managed Company (each a "**Legal Proceedings Claim**"), subject to an obligation on the Asset Manager to mitigate any such loss or liability and exclusions for negligence, bad faith, wilful misconduct or fraud or a breach of the terms of the Management Agreement.

Key Personnel

The Asset Manager is required to employ and maintain an adequate number of experienced personnel in order to ensure that it provides the Services and performs its duties as required by the Management Agreement.

Term and Termination

The Management Agreement shall continue in effect until all Managed Companies have been wound up, unless terminated in its entirety or, in the case of item (c) below, in part, at any time by notice in writing (i) in the case of items (a), (b), (c), (e) and (f) below, by HoldCo, or (ii) in the case of items (a), (b), (d) and (e) only, by the Asset Manager, or (iii) in the case of item (c) only, by any of the Borrower, Loan Capital Limited, Intermediate HoldCo, EquityCo or any company that becomes a guarantor under the Senior Facility Agreement), including any WorkoutCos (acting on the instructions of the Senior Agent), if:

- (a) an insolvency event occurs in relation to the other party, being either HoldCo or the Asset Manager;

- (b) a material un-remedied breach by the other party of the Management Agreement occurs (unless cured or remedied within a maximum of twenty (20) Business Days);
- (c) the Senior Agent exercises its right to terminate, or to requires any of the Borrower, Loan Capital Limited, Intermediate HoldCo, EquityCo or any company that becomes a guarantor under the Senior Facility Agreement to terminate, the Management Agreement in whole or in part in accordance with the provisions of the Senior Facility Agreement;
- (d) at any time following the provider of any debt outstanding pursuant to the Senior Facility Agreement (or any debt instruments issued in order to effect a securitisation of that debt) completing an enforcement event or partial enforcement event;
- (e) the other party ceases to be able to fulfil its obligations due to any changes of any requirements of law and regulation; or
- (f) the Shareholders have so directed the Board following a change of control in the "**Isobel Group Investor**" (or any relevant affiliate of the Isobel Group Investor) or a reduction in the voting rights or beneficial interests that the Asset Manager, the Isobel Group Investor or any other relevant affiliate of the ultimate holding company of the Isobel Group Investor holds in the share capital of HoldCo, any debt outstanding pursuant to the Junior Facility Agreement (or any debt instruments issued in order to effect a securitisation of that debt) and any right to receive certain residual amounts standing to the credit of the Borrower General Account.

On any termination of the Asset Manager, the Asset Manager must use reasonable endeavours to cooperate with the Managed Companies to transfer its responsibilities to any of the Managed Companies or to any other successor as HoldCo may direct. Any successor to the Asset Manager must be appointed on substantially the same terms. If the appointment of the Asset Manager is terminated other than as described in paragraphs (a) or (b) above (in circumstances where the Asset Manager is the insolvent or defaulting party), HoldCo shall be responsible for paying the Asset Manager's reasonable out-of-pocket costs and expenses in complying with this obligation.

See "*Asset Manager Duty of Care Agreement*" section below for details of how the termination provisions of the Management Agreement are varied by the Asset Manager Duty of Care Agreement.

Compliance with Laws

The Asset Manager shall (and shall work to ensure that each Managed Company shall) comply with all applicable requirements of law including relating to anti-bribery and anti-corruption.

Asset Manager Duty of Care Agreement

Duty of Care

Pursuant to a duty of care agreement between the Obligors, Mezzanine Borrower HoldCo, HoldCo and each Designated Trustee as original companies, the Asset Manager, the Senior Agent and the Borrower Security Trustee (the "**Asset Manager Duty of Care Agreement**"), amongst other things:

- (a) the Asset Manager has undertaken in favour of the Senior Agent and the Borrower Security Trustee to comply with the terms of the Management Agreement (as varied by the Asset Manager Duty of Care Agreement) and to perform the services specified in, and its obligations under, the Management Agreement (as varied by the Asset Manager Duty of Care Agreement) in accordance with the management standard required by the Management Agreement as at the date of the Asset Manager Duty of Care Agreement;
- (b) the Asset Manager has acknowledged that the Senior Finance Parties have relied on its skill and judgment in respect of certain matters relating to the Assets, the New Assets, any REO Properties or the Asset Level Properties or any other matters which lie within the scope of its responsibilities under the Asset Manager Duty of Care Agreement and that it owes the Senior Finance Parties a professional duty of care,

provided, in the case of both Paragraphs (a) and (b), that the Asset Manager's liability shall be no greater than it would have been if the Senior Agent and the Borrower Security Trustee were

originally parties to the Management Agreement (as varied by the Asset Manager Duty of Care Agreement).

Receipts

Pursuant to the Asset Manager Duty of Care Agreement, the Asset Manager has undertaken to each of the Senior Agent and the Borrower Security Trustee that it will (to the extent within the scope of its obligations from time to time under the Management Agreement):

- (a) promptly on behalf of the Senior Agent and the Borrower Security Trustee collect, pay and/or instruct the payment of all General Realisation Proceeds, Report Claims, Consent and Restructuring Fees, Asset Level Net Insurance Proceeds and General Income arising from any Originator Trust Asset upon receipt or, if later, clearance and without withholding (unless required by to do so by law), set-off or counterclaim directly into the relevant Originator Collection Account in accordance with the terms of the Declaration of Trust Deed;
- (b) promptly on behalf of the Senior Agent and the Borrower Security Trustee pay and/or instruct the payment of all General Realisation Proceeds, Report Claims, Consent and Restructuring Fees, Asset Level Net Insurance Proceeds and General Income arising from any Originator Trust Asset that are paid into an Originator Collection Account net of any administration fees then due and payable under the Declaration of Trust Deed into the relevant Beneficiary Collection Account or WorkoutCo Collection Account in accordance with the terms of the Declaration of Trust Deed;
- (c) promptly on behalf of the Senior Agent and the Borrower Security Trustee collect, pay and/or instruct the payment of all General Realisation Proceeds, Report Claims, Consent and Restructuring Fees, Asset Level Net Insurance Proceeds and General Income arising from any Asset or any New Asset owned by the Borrower or an Asset WorkoutCo (other than an Originator Trust Asset) upon receipt or, if later, clearance and without withholding (unless required by to do so by law), set-off or counterclaim directly into the Isobel AssetCo RBS Collection Account.

Termination by the Asset Manager

The Asset Manager may not suspend the performance of its obligations under the Management Agreement, rescind or terminate the Management Agreement or its appointment under the Management Agreement or attempt to take any such step, unless it has first given the Senior Agent and the Borrower Security Trustee at least 28 days' prior written notice of its intention so to do (providing details of the basis of termination and any unpaid sums owed to the Asset Manager) (a "**Termination Notice**"). During such 28 day period, the Asset Manager will continue fully to perform its obligations under the Management Agreement.

If a Termination Notice has been served by the Asset Manager in respect of a default by a DoC Company of that DoC Company's obligations under the Management Agreement, during the 28 day period referred to above the Senior Agent and/or the Borrower Security Trustee may give notice to the Asset Manager undertaking to perform the obligations of each DoC Company under the Management Agreement from the date of a Termination Notice, in which case the relevant Termination Notice will be automatically revoked. In such circumstances, the Asset Manager will perform its obligations under the Management Agreement and the Senior Agent and/or the Borrower Security Trustee will perform such obligations of each DoC Company as though the Senior Agent and/or Borrower Security Trustee was and always had been a party to the Management Agreement in the place of each DoC Company as if no right of termination on the part of the Asset Manager had arisen.

Termination by a Company

No DoC Company may terminate the Management Agreement other than:

- (a) at the request of the Senior Agent in accordance with the Senior Facility Agreement and/or as specified in "*Termination by the Senior Agent*" below;
- (b) in circumstances where the requirements of the Senior Facility Agreement described in "*Prepayment and Cancellation – Change of Asset Manager*" above, are complied with; or

- (c) with the prior written consent of the Senior Agent.

Termination by the Senior Agent

On and at any time after any Loan Enforcement Event or Partial Loan Enforcement Event has occurred and following the Agent having served a Loan Enforcement Notice, each as described under paragraph (a), (b) or (c) of "*Senior Facility Agreement - Enforcement and/or Acceleration*" above, the Senior Agent may, and shall, if so directed by the Senior Majority Lenders, either:

- (a) in the case of any Loan Enforcement Event:
- (i) by notice to the Obligor's Agent require any Obligor to exercise its rights to terminate the Management Agreement in whole; or
 - (ii) by written notice to the Asset Manager and the Obligor's Agent, elect to:
 - (A) exercise a right to step-in in place of each DoC Company under the Management Agreement, following the exercise of which right the Management Agreement shall continue as if the Senior Agent were originally a party to the Management Agreement in place of each DoC Company; or
 - (B) immediately terminate the Management Agreement and appoint a new manager on terms acceptable to the Agent; or
- (b) in the case of any Partial Loan Enforcement Event:
- (i) require any Obligor to exercise its rights to partially terminate the Management Agreement in respect of the Asset or New Asset to which such Partial Loan Enforcement Event relates (the "**Relevant Asset**"); or
 - (ii) by written notice to the Asset Manager and the Obligor's Agent, elect to:
 - (A) exercise a right to step-in in place of each DoC Company under the Management Agreement in respect of the Relevant Asset, following the exercise of which right the Management Agreement shall continue as if the Senior Agent were originally a party to the Management Agreement in place of each DoC Company in respect of that Relevant Asset; or
 - (B) immediately terminate the Management Agreement in respect of the Relevant Asset and appoint a new manager in respect of the Relevant Asset on terms acceptable to the Agent.

Cooperation

In the event that the Management Agreement is terminated in full or in part with respect to an Asset or a New Asset, the Asset Manager will use reasonable endeavours to co-operate with the Senior Agent and the Borrower Security Trustee (at the expense of the Obligor, or in default of payment by the Obligor, at the expense of the Senior Finance Parties (without prejudice to any rights of the Senior Finance Parties to recover such amounts from the Obligor pursuant to the Senior Finance Documents)) to ensure a timely and efficient transition of services and responsibilities under the Management Agreement to the relevant Obligor or to any successor manager as the Senior Agent or the Borrower Security Trustee may direct.

Duties under Management Agreement

Pursuant to the Asset Manager Duty of Care Agreement, the Asset Manager and the DoC Companies may not, without the prior written consent of the Senior Agent, materially reduce the scope of the duties of the Asset Manager under the terms of the Management Agreement, discharge, rescind or determine the Management Agreement other than as described in "*Termination by the Asset Manager*", "*Termination by a Company*" or "*Termination by the Junior Agent*" above, or assign, delegate or transfer any of its material rights and obligations under the Management Agreement other than by way of security pursuant to the Senior Facility Agreement or by way of any delegation of the management services to one or more sub-contractors in accordance with the terms of the Management Agreement provided that the relevant

sub-contractor enters into a duty of care agreement in favour of the Senior Agent and the Borrower Security Trustee.

Sub-delegates

In the event that the Asset Manager delegates any of its services and duties under the Management Agreement to any other party (a "**Sub-Asset Manager**"), each Obligor agrees that:

- (a) following the issuance by the relevant Sub-Asset Manager of a notice:
 - (i) to suspend the performance of its obligations under the relevant delegation agreement; or
 - (ii) to rescind or terminate the relevant delegation agreement or its appointment under it,in the event that the Senior Finance Parties exercise any right arising under a Senior Finance Document to require the relevant Sub-Asset Manager to continue to perform any of its obligations at the cost or expense of the Senior Finance Parties; or
- (b) in the event that any Senior Finance Document relating to the relevant Sub-Asset Manager specifies that any action to be taken by the Asset Manager or a Sub-Asset Manager is to be at the expense of the Obligors,

such costs and/or expenses shall be at the expense of the Obligors, or in default of payment by the Obligors, at the expense of the Senior Finance Parties (without prejudice to any rights of the Senior Finance Parties to recover such amounts from the Obligors pursuant to the Senior Finance Documents).

Sub-Asset Manager Duty of Care Agreements

Blackstone Real Estate Debt Advisors UK Limited

Duty of Care

Pursuant to a duty of care agreement between the Asset Manager, Blackstone Real Estate Debt Advisors UK Limited as sub-manager ("**BREDA**"), the Senior Agent and the Borrower Security Trustee, amongst other things, BREDA has undertaken in favour of the Senior Finance Parties to comply with the terms of, and fulfil its obligations under, the Management Agreement as if BREDA had been appointed as the Manager in respect of the services delegated to it by the Asset Manager (the "**BREDA Delegated Services**"). BREDA has also accepted a duty of care in favour of the Senior Finance Parties.

Termination by the Senior Agent

On and at any time after any Loan Enforcement Event or Partial Loan Enforcement Event has occurred following the Senior Agent having served a Loan Enforcement Notice as described under paragraph (a), (b) or (c) of "*Senior Facility Agreement - Enforcement and/or Acceleration*" above then the Senior Agent may, and shall, if so directed by the Senior Majority Lenders, either:

- (c) in the case of any Loan Enforcement Event:
 - (i) by notice to the Asset Manager require the Asset Manager to exercise its rights to terminate the appointment of BREDA in whole; or
 - (ii) provided that the Senior Agent has also elected to terminate the Management Agreement in accordance with the provisions of the Asset Manager Duty of Care Agreement, by written notice to BREDA and the Asset Manager, elect to terminate the appointment of BREDA and appoint a new sub-manager on terms acceptable to the Senior Agent (provided that the termination of the appointment of BREDA shall not be contingent upon the appointment of a new sub-manager); or
- (d) in the case of any Partial Loan Enforcement Event:
 - (i) require the Asset Manager to exercise its rights to partially terminate the appointment of BREDA in respect of the Asset or the New Asset to which such Partial Loan Enforcement Event relates (the "**Relevant Asset**"); or

- (ii) provided that the Senior Agent has also elected to terminate the Management Agreement in respect of the Relevant Asset in accordance with the provisions of the Asset Manager Duty of Care Agreement, by written notice to BREDA and the Asset Manager, elect to immediately terminate the appointment of BREDA in respect of the Relevant Asset and appoint a new sub-manager in respect of the Relevant Asset on terms acceptable to the Senior Agent (provided that the termination of BREDA shall not be contingent upon the appointment of a new sub-manager).

Cooperation

In the event that the Management Agreement and/or the appointment of BREDA is terminated in full or in part with respect to an Asset or a New Asset, BREDA will use reasonable endeavours to co-operate with the Senior Agent and the Borrower Security Trustee (at the expense of the Obligors, or in default of payment by the Obligors, at the expense of the Senior Finance Parties (without prejudice to any rights of the Senior Finance Parties to recover such amounts from the Obligors pursuant to the Senior Finance Documents)) to ensure a timely and efficient transition of services and responsibilities from BREDA to the Asset Manager or to any successor sub-manager as the Senior Agent or the Borrower Security Trustee may direct.

CBRE Loan Servicing Limited

Duty of Care

Pursuant to a duty of care agreement between the Asset Manager, CBRE Loan Servicing Limited as sub-manager (the "**CBRE Sub-Asset Manager**"), the Senior Agent and the Borrower Security Trustee, amongst other things, the CBRE Sub-Asset Manager has undertaken in favour of the Senior Finance Parties to comply with the terms of, and fulfil its obligations under, a management delegation agreement between the Asset Manager and the CBRE Sub-Asset Manager (the "**CBRE Management Delegation Agreement**"). The CBRE Sub-Asset Manager has also accepted a duty of care in favour of the Senior Finance Parties.

Termination by the CBRE Sub-Asset Manager

The CBRE Sub-Asset Manager may not suspend the performance of its obligations under the CBRE Management Delegation Agreement, rescind or terminate the CBRE Management Delegation Agreement or its appointment under the CBRE Management Delegation Agreement or attempt to take any such step, unless it has first given the Senior Agent and the Borrower Security Trustee at least 28 days' prior written notice of its intention so to do (providing details of the basis of termination and any unpaid sums owed to the CBRE Sub-Asset Manager) (a "**CBRE Sub-Asset Manager Termination Notice**"). During such 28 day period, the Asset Manager will continue fully to perform their obligations under the Management Agreement at the cost of the Senior Finance Parties (but without prejudice to the rights of the Senior Finance Parties to recover such costs from any Obligor under the Senior Finance Documents).

If a CBRE Sub-Asset Manager Termination Notice has been served by the CBRE Sub-Asset Manager in respect of a default by the Asset Manager of the Asset Manager's obligations under the CBRE Management Delegation Agreement, during the 28 day period referred to above the Senior Agent and/or the Borrower Security Trustee may give written notice to the CBRE Sub-Asset Manager undertaking to perform the obligations of the Asset Manager under the CBRE Management Delegation Agreement from the date of a CBRE Sub-Asset Manager Termination Notice, in which case the relevant CBRE Sub-Asset Manager Termination Notice will be automatically revoked. In such circumstances, the CBRE Sub-Asset Manager will perform its obligations under the CBRE Management Delegation Agreement and the Senior Agent and/or the Borrower Security Trustee will perform such obligations of the Asset Manager as though the Senior Agent and/or Borrower Security Trustee was and always had been a party to the CBRE Management Delegation Agreement in the place of the Asset Manager as if no right of termination on the part of the CBRE Sub-Asset Manager had arisen.

Termination by the Senior Agent

On and at any time after any Loan Enforcement Event or Partial Loan Enforcement Event has occurred following the Senior Agent having served a Loan Enforcement Notice as described under paragraph (a),

(b) or (c) of "*Senior Facility Agreement - Enforcement and/or Acceleration*" above then the Senior Agent may, and shall, if so directed by the Senior Majority Lenders, either:

- (e) in the case of any Loan Enforcement Event:
 - (i) by notice to the Asset Manager require the Asset Manager to exercise its rights to terminate the CBRE Management Delegation Agreement in whole; or
 - (ii) by written notice to the CBRE Sub-Asset Manager and the Asset Manager, elect to:
 - (A) exercise a right to step-in in place of the Asset Manager under the CBRE Management Delegation Agreement, following the exercise of which right the CBRE Management Delegation Agreement shall continue as if the Senior Agent were originally a party to the CBRE Management Delegation Agreement in place of the Asset Manager; or
 - (B) immediately terminate the CBRE Management Delegation Agreement and appoint a new sub-manager on terms acceptable to the Senior Agent, provided that the termination of the CBRE Management Delegation Agreement shall not be contingent upon the appointment of a new manager; or
- (f) in the case of any Partial Loan Enforcement Event:
 - (i) require the Asset Manager to exercise its rights to partially terminate the CBRE Management Delegation Agreement in respect of the Asset or New Asset to which such Partial Loan Enforcement Event relates (the "**Relevant Asset**"); or
 - (ii) by written notice to the CBRE Sub-Asset Manager and the Asset Manager, elect to:
 - (A) exercise a right to step-in in place of the Asset Manager under the CBRE Management Delegation Agreement in respect of the Relevant Asset, following the exercise of which right the CBRE Management Delegation Agreement shall continue as if the Senior Agent were originally a party to the CBRE Management Delegation Agreement in place of the Asset Manager in respect of that Relevant Asset; or
 - (B) immediately terminate the CBRE Management Delegation Agreement in respect of the Relevant Asset and appoint a new sub-manager in respect of the Relevant Asset on terms acceptable to the Senior Agent, provided that the termination of the CBRE Management Delegation Agreement shall not be contingent upon the appointment of a new manager.

Cooperation

In the event that the Management Agreement is terminated in full or in part with respect to an Asset or a New Asset, the CBRE Sub-Asset Manager will use reasonable endeavours to co-operate with the Senior Agent and the Borrower Security Trustee (at the expense of the Obligors, or in default of payment by the Obligors, at the expense of the Senior Finance Parties (without prejudice to any rights of the Senior Finance Parties to recover such amounts from the Obligors pursuant to the Senior Finance Documents)) to ensure a timely and efficient transition of services and responsibilities under the CBRE Management Delegation Agreement to the relevant Obligor or to any successor manager as the Senior Agent or the Borrower Security Trustee may direct.

SERVICING ARRANGEMENTS

Servicing Agreement

Introduction

The servicing of the Senior Loan by the Servicer, and as the case may be, the Special Servicer on behalf of the Issuer will be governed pursuant to the terms of a servicing agreement dated on or about the Closing Date between, amongst others, the Issuer, the Cash Administrator, the Borrower Security Trustee, the Note Trustee, the Senior Agent, the Servicer and the Special Servicer (the "**Servicing Agreement**").

Each of the Servicer and, as the case may be, the Special Servicer has agreed with the Issuer that it shall perform its obligations in accordance with and subject to the following requirements, which shall be applied in the following order of priority in the event of a conflict:

- (a) any and all applicable laws and regulations;
- (b) the Senior Finance Documents;
- (c) the Servicing Agreement;
- (d) the higher of:
 - (i) the manner in which, and the same care, skill and diligence with which it services and administers similar commercial loans for other third party owners of commercial loan portfolios; and
 - (ii) the level of care, skill and diligence which it would use if it were the owner of the Loan Sale Assets,

in each case giving due consideration to the timely collection of all scheduled payments or principal and interest under the Loan Sale Assets, or if the Senior Loan comes into and continue in default, and, if in the good faith and reasonable judgment of the Servicer or, as the case may be, the Special Servicer no satisfactory arrangements can be made for the collection of delinquent payments, the maximisation of recoveries in respect of the Loan Sale Assets, without regard to any fees or other compensation to which it is entitled, any relationship the Servicer or the Special Servicer or any of their respective affiliates have with the Borrower (or any affiliate of the Borrower)(including the holding of any shares in the Borrower or any of its affiliates), any equity or debt participations of the Servicer or, as the case may be, the Special Servicer or any affiliate thereof, any relationship it may have with any Issuer Transaction Party or the ownership of or otherwise holding an interest in any Note or the Senior Loan by the Servicer or, as the case may be, the Special Servicer or any affiliate thereof (the "**Servicing Standard**").

References herein to the Senior Loan includes the Senior Loan for such time as it is a Specially Serviced Loan, as applicable.

Role of the Servicer and Special Servicer

As from the Closing Date and in accordance with and pursuant to the terms of the Servicing Agreement, the Servicer or, as the case may be, the Special Servicer will be appointed on behalf of the Issuer to provide certain services and to exercise the Issuer's rights, powers and discretions as Lender in relation to the Loan Sale Assets and to perform its duties in relation thereto. The terms of the Servicing Agreement require the Servicer or, as the case may be, the Special Servicer to perform duties customary for a servicer of a loan secured on commercial property including, but not limited, to, the following duties:

- (a) keeping full records and proper accounts, books and records on behalf of the Issuer showing transactions, payments, receipts, proceedings and notices relating to the Senior Loan;
- (b) reviewing on an annual basis the performance of the Borrower and the Senior Loan in accordance with the Servicing Standard;

- (c) providing advice to the Borrower Security Trustee on the discharge of any release of the Borrower Security;
- (d) in the name of the Issuer, conducting all communications and dealings with the Borrower, the Guarantors, the Senior Agent and any third parties in relation to all matters concerning the Senior Loan and Borrower Security including in relation to any breach or default in respect thereof and taking action in relation thereto including the institution of proceedings;
- (e) conducting all communications and giving instructions or directions under the Senior Loan and other Borrower Transaction Documents on behalf of the Issuer including (without limitation) in relation to any acceleration and enforcement of the Senior Loan, the exercise of any rights of the Issuer under the Senior Facility Agreement and/or the Security Trust and Intercreditor Deed and/or the Duty of Care Agreements to instruct the Senior Agent and/or the Borrower Security Trustee (in accordance with the Senior, Facility Agreement, Management Agreement or the Duty of Care Agreements) to terminate, or require some or all of the Obligor as the other parties to the Management Agreement to terminate and replace the appointment of the Asset Manager or any REO Property Manager and the appointment of any replacement Asset Manager or any REO Property Manager or the exercise by the Borrower of the Asset Put Option;
- (f) monitoring compliance by the Borrower with any hedging arrangements;
- (g) using reasonable endeavours to recover amounts due from the Borrower (or Guarantors) following a Loan Event of Default under the Senior Loan;
- (h) retaining or arranging for the retention of a Servicing File;
- (i) collecting all necessary information required for the preparation by it of the Quarterly Investor Report and CMSA European Investor Reporting Package;
- (j) giving approvals, consents and undertakings on behalf of the Issuer under the Senior Loan and Borrower Transaction Documents, including (without limitation) in connection with any resignation of the Senior Agent and the appointment of a successor Senior Agent or any approvals or other actions required in connection with the entry into of any Third Party Mezzanine Debt (as such terms are defined in the Senior Facility Agreement); and
- (k) agreeing and making amendments or variations to the Senior Loan and Borrower Transaction Documents (see "*Modifications, Waivers, Amendments and Consents*" below).

"**Servicing File**" means, collectively any and all documents in the possession of the Servicer or, as the case may be, the Special Servicer, and relating to the origination and servicing of the Senior Loan including evidence of any modification, extension, waiver or amendment relating to the Senior Loan, provided that, for the avoidance of doubt, the Servicing File shall not include any original documents;

Transfers and calculations by the Servicer

The Senior Agent is required to transfer the amounts due and received from the Borrower or, as the case may be, the Guarantors to the Issuer pursuant to the terms of the Senior Loan on or before each Loan Payment Date (having first calculated such amounts), to the Issuer Transaction Account and to notify the Servicer of the details of such transfer.

The Senior Agent is required to notify the Cash Administrator of all such amounts determined by the Senior Agent by 10.00 a.m. (London time) on the day which is one (1) Note Business Day prior to the Calculation Date.

Modifications, Waivers, Amendments and Consents

The Servicer or, as the case may be, the Special Servicer is required to evaluate requests received by it through the Senior Agent or directly from the Borrower or, as the case may be, the Guarantors to modify, amend or waive any provision of the Borrower Transaction Documents or to consent to a particular matter (each a "**Proposal**"). The Servicer or, as the case may be, the Special Servicer is required to provide notice to the Senior Agent of any Proposal received directly from a Borrower or Guarantor.

Subject to the requirements relating to Excluded Matters and the obligation to consult with the Controlling Party Representative (see below), the Servicer or, as the case may be, the Special Servicer may agree to any Proposal on behalf of the Issuer without any need to obtain the approval of any Noteholders and enter into such documentation in relation to such Proposal as the Servicer or, as the case may be, the Special Servicer may reasonably consider necessary, or acceptable, applying the Servicing Standard including (but not limited to) any Proposal that:

- (a) is of a formal, minor or technical nature, or is to correct a manifest error; or
- (b) in the opinion of the Servicer or, as the case may be, the Special Servicer, will not be materially prejudicial to the interests of the holders of each Class of Notes then outstanding; or
- (c) is required or permitted, subject to the satisfaction of specified conditions, under the terms of the Borrower Transaction Documents provided that such conditions are satisfied; or
- (d) is necessary or desirable to reflect the then current rating criteria of the Rating Agency in circumstances in which, if such modification, amendment or waiver were not made, one or more classes of rated Notes would be the subject of a downgrade by the Rating Agency.

The Servicer or, as the case may be, the Special Servicer is required to consult with the Controlling Party Representative (if any), in respect of any Proposal, any proposed sale of the Senior Loan (see below) and the exercise of any Enforcement Rights. The Servicer or, as the case may be, the Special Servicer is required to take due account of the advice and representations made to it by the Controlling Party Representative but is not obliged to follow the instructions of the Controlling Party Representative and is entitled to agree to or object to a Proposal or a sale of the Senior Loan or the exercise of Enforcement Rights at its discretion in accordance with the Servicing Standard and the terms of the Servicing Agreement.

Subject to the provisions in respect of Excluded Matters and (where there is a Sole Noteholder) Specified Enforcement Rights, in no event shall the Servicer or the Special Servicer:

- (a) take any action or to refrain from taking any action which, in the good faith and reasonable judgment of the Servicer or the Special Servicer, would cause the Servicer or Special Servicer to violate the Servicing Standard; or
- (b) refrain from taking any action pending receipt of a response from the Controlling Party Representative to a request for consultation in relation to a Proposal or a sale of the Senior Loan or the exercise of Enforcement Rights, if the Servicer or Special Servicer, in its good faith and reasonable judgment, determines that immediate action is necessary to comply with the Servicing Standard,

and the taking of any action prior to the receipt of a response from the Controlling Party Representative or in a manner which is contrary to the directions of, or disapproved by, the Controlling Party Representative shall not constitute a breach by the Servicer or the Special Servicer of the Servicing Agreement so long as, in the Servicer's or the Special Servicer's good faith and reasonable judgment, such action was required by the Servicing Standard. Furthermore, without prejudice to the Servicer's and the Special Servicer's obligations to act in accordance with the Servicing Standard, the Servicing Agreement provides that neither the Servicer nor the Special Servicer shall be liable for the consequences of any delay caused by the compliance by Servicer or, as the case may be, the Special Servicer with its obligations relating to consultation with the Controlling Party Representative. However, if the Servicer or Special Servicer takes action prior to receiving a response from the Controlling Party Representative it is required to notify the Controlling Party Representative of the action as soon as reasonably practicable and if the Controlling Party Representative objects to such actions within 5 Business Days after being notified of such action, the Servicer or, as the case may be, the Special Servicer is required to take due account of any advice from or representations made by the Controlling Party Representative regarding any further action that it considers should be taken although such requirement is subject to the rights of the Servicer or, as the case may be Special Servicer described above.

The Servicer or, as the case may be, the Special Servicer, the Senior Agent and the Borrower Security Trustee, in carrying out their duties pursuant to the Servicing Agreement and the Senior Facility Agreement respectively including, without limitation, in connection with any request to provide consent

on behalf of the Issuer under a Borrower Transaction Document or (in the case of the Servicer or, as the case may be, the Special Servicer) the provision of any instructions to the Senior Agent, are required to use all reasonable endeavours to take such action in a timely manner and within any applicable time period specified in the Borrower Transaction Documents. In relation to the giving of consent in relation to a Proposal which is subject to certain deadlines provided for under the Senior Facility Agreement, if the Servicer, or as the case may be, the Special Servicer seeks the consent of the Noteholders and a meeting of the Noteholders cannot be convened within the relevant period required to provide consent under the Senior Facility Agreement the Servicer, or as the case may be, the Special Servicer must provide a response within the relevant period (including, where appropriate, the rejection of such Proposal or, a statement that the Servicer or, as the case may be, the Special Servicer requires further time to consider the Proposal) acting in accordance with the Servicing Standard.

Other than in respect of Excluded Matters and Specified Enforcement Events (as to which, see below), the Servicer or, as the case may be, the Special Servicer shall be entitled but not required under the terms of the Servicing Agreement to seek the instructions of the Noteholders for any purpose but must not do so where to do so, due to cost, timing or other circumstances, would be contrary to the Servicing Standard.

Neither the Servicer nor, as the case may be, the Special Servicer are permitted to take any action to agree to any Proposal which is an Excluded Matter unless authorised by an Extraordinary Resolution of each Class of Notes then outstanding, save that an Extraordinary Resolution of the Class B Notes and/or the Class C Notes shall not be required (save where such Class is the Most Senior Class of Notes outstanding) if such Class fails to satisfy the Instructing Junior Class Test at the relevant time. Neither the Servicer nor the Special Servicer shall have any liability whatsoever to the Issuer, the Note Trustee, the Noteholders, the Cash Administrator, the Junior Cash Administrator, the Borrower Security Trustee, the Senior Agent, or any other person for any action taken or not taken by the Servicer or the Special Servicer in respect of Excluded Matters on the instructions of the Noteholders.

For so long as there is a Sole Noteholder in respect of the Notes and the Servicer or, as the case may be, the Special Servicer has received written notice thereof in accordance with the Servicing Agreement and has not received a subsequent notice that such person has ceased to be a Sole Noteholder:

- (a) if the Servicer or, as the case may be, the Special Servicer is requested to give instructions, or is otherwise considering taking any action, or refraining from taking any action, in each case in relation to the exercise of any Specified Enforcement Right on behalf of the Issuer under the Servicing Agreement, it shall promptly (and, in any event, within 3 Business Days of any such request) notify the Sole Noteholder in writing of such event or circumstance and of such action which it intends to take, or refrain from taking, in respect to such Specified Enforcement Right and in accordance with the Servicing Standard (the "**Proposed Conduct**") to be delivered to such address as is notified to the Servicer and the Special Servicer by the Sole Noteholder from time to time;
- (b) for a period of 5 Business Days commencing from the delivery of the notice under paragraph (a) above, the Servicer or, as the case may be, the Special Servicer shall not exercise any discretion under the Servicing Agreement to give such instructions or take, or refrain from taking, any such action, irrespective of whether such inaction is in accordance with the Servicing Standard, relating to such notice, unless the Sole Noteholder has by way of Written Resolution notified the Servicer or, as the case may be, the Special Servicer that it does not object to the Proposed Conduct; and
- (c) if the Sole Noteholder has notified the Servicer or, as the case may be, the Special Servicer of its objection of the Proposed Conduct by way of Written Resolution within 5 Business Days from the delivery of the notice under paragraph (a) above, the Servicer or, as the case may be, the Special Servicer shall refrain from proceeding with such Proposed Conduct. For the avoidance of doubt, the Servicer, or as the case may be, the Special Servicer shall be entitled to provide a further subsequent notice in respect to such Specified Enforcement Right in accordance with paragraph (a) above.

If the Sole Noteholder does not object to the Proposed Conduct within such 5 Business Day period specified above, the Servicer or, as the case may be, the Special Servicer thereafter may proceed with the Proposed Conduct in respect to such Specified Enforcement Right.

Each of the Servicer and the Special Servicer shall be entitled (but not obliged) to call for and shall be at liberty to rely (without further enquiry) on any confirmation in writing provided by any person to the Servicer and the Special Servicer confirming that such person is the Sole Noteholder in respect of the Notes which is accompanied by a proof of holding from Euroclear or Clearstream, Luxembourg (or any other relevant clearing system) evidencing such holdings.

The Servicing Agreement provides that neither the Servicer nor the Special Servicer shall have any liability whatsoever to the Issuer, the Note Trustee, the Noteholders, the Cash Administrator, the Junior Cash Administrator, the Borrower Security Trustee, the Senior Agent, or any other person for any action taken or not taken by the Servicer or the Special Servicer as a result of an objection of the Sole Noteholder or for any delay in taking any action by the Servicer or the Special Servicer, in connection with such terms of the Servicing Agreement.

"Sole Noteholder" means any person that holds 100% of the beneficial title and interest in all the Notes of all the Classes then outstanding (including any Notes which would be deemed not to be outstanding under the terms of the Note Trust Deed).

"Specified Enforcement Right" means the following rights of the Senior Lender, Senior Agent, or Borrower Security Trustee or other person acting on their behalf arising under the Senior Finance Documents:

- (a) to exercise (or, as applicable, to instruct or require the holder of the relevant security or other relevant person to exercise), or to approve or consent to or vote in favour of the exercise by any such person of, any of the following rights or powers (or in the case of items (ii) through (v) below any right which is analogous thereto):
 - (i) the right to accelerate the Senior Loan or take any of the other actions specified in clauses 26.18 (Acceleration) or 26.19 (Termination of Management Agreement or REO Property Management Agreement) of the Senior Facility Agreement, or otherwise to implement or exercise any of the express remedies, as a consequence of a Loan Event of Default, of the Senior Lender, Senior Agent or Borrower Security Trustee set forth in the Senior Finance Documents following a Loan Event of Default;
 - (ii) the right to appoint an administrator or Receiver in respect of any Obligor or the Borrower Secured Property or any part of them pursuant to the terms of the Transaction Security or otherwise;
 - (iii) any act pursuant to which the Senior Lender, the Borrower Security Trustee, an administrator, Receiver or any of their respective agents takes possession or otherwise acts to take control of any Obligor or the Borrower Secured Property or any part of them;
 - (iv) the exercise of any right of appropriation over the Borrower Secured Property or any part of them; and
 - (v) the right contained in clause 4.2(a) (Conversion of Floating Charge to Fixed Security) of the Borrower Debenture to crystallise the floating charge constituted thereunder; or
- (b) otherwise to take action (or, as applicable, to instruct or require the holder of the relevant security or other relevant person to take any action):
 - (i) to issue any proceedings or enforce any judgment against any Obligor;
 - (ii) to seek to wind-up any Obligor; or
 - (iii) to exercise the powers or enforce the rights to appropriate, assume control of, put beyond the reach of the relevant Obligor, sell or otherwise dispose of, or otherwise seek to realise upon any of the assets and/or undertakings of the relevant Obligor; or
- (c) to withhold or refuse to grant any waiver or consent where such withholding or refusal arises as a consequence of, or is related to, any Loan Event of Default;

"**Excluded Matter**" means in respect of the Senior Finance Documents a proposal:

- (a) to change the date of payment of any amounts under the Senior Finance Documents (other than the final maturity date of the Senior Loan);
- (b) to change the principal amount of the Senior Loan;
- (c) to change the margin on the Senior Loan;
- (d) to change the currency of the Senior Loan;
- (e) to extend the final maturity date of the Senior Loan beyond the date falling 5 years prior to the Note Final Maturity Date;
- (f) to extend the final maturity date of any Property Loan or any New Property Loan beyond the Note Final Maturity Date or to permit the entry into of a New Property Loan with a final maturity date beyond the Note Final Maturity Date; or
- (g) to amend this definition,

provided however, for the avoidance of doubt that the following shall not be Excluded Matters:

- (h) the issuance of any standstill provided by the Servicer or the Special Servicer (as applicable); or
- (i) following a Loan Event of Default, a disposal of a Property Loan, or New Property Loan (as applicable) for an amount which is less than the Allocated Debt Amount or its outstanding principal balance.

The Class C Noteholders or the Class B Noteholders will meet the "**Instructing Junior Class Test**" if (a) in relation to the Class C Noteholders, the net debit on the Principal Deficiency Ledger is less than 75 per cent. of the Principal Amount Outstanding of the Class C Notes at the relevant time, or (b) in relation to the Class B Noteholders, the net debit on the Principal Deficiency Ledger is less than the aggregate of (i) 100 per cent. of the Principal Amount Outstanding of the Class C Notes and (ii) 75 per cent. of the Principal Amount Outstanding of the Class B Notes at the relevant time, in each case, as notified to the Issuer and the Note Trustee by the Cash Administrator pursuant to the Cash Administration Agreement.

In order to determine whether the Class B Notes or the Class C Notes satisfy the Instructing Junior Class Test, the Cash Administrator shall maintain in the books of the Issuer a ledger designated the "Principal Deficiency Ledger". The Senior Agent shall, on each Calculation Date notify the Cash Administrator of the relevant Principal Deficiency Amount and the relevant Over-amortisation Amount. The Cash Administrator shall record as a credit in the Principal Deficiency Ledger the relevant Over-amortisation Amount which, for the avoidance of doubt, shall replace any previous Over-amortisation Amount recorded on the Principal Deficiency Ledger. The Cash Administrator shall record as a debit in the Principal Deficiency Ledger any Principal Deficiency Amount.

The Cash Administrator shall notify the Servicer, the Special Servicer, the Issuer and the Note Trustee if at any time the Class B Notes and/or the Class C Notes fail to satisfy the Instructing Junior Class Test.

For the avoidance of doubt, a Property Loan and any New Property Loans will continue to be or form part of a Connection and any Principal Deficiency Amount and Over-amortisation Amount calculations made in relation thereto shall continue to apply where such Property Loan or New Property Loans has been written-off in full following the determination of a Final Recovery Amount in respect of such Property Loan or New Property Loans.

In determining any Final Recovery Amount, the Senior Agent shall assume that a final realisation of a Property Loan or New Property Loans has occurred when it receives notice in the Borrower Reports that one of the following events has occurred in respect of such Property Loan or New Property Loans: (i) a Disposal in Full of such Property Loan or New Property Loans and any related Ancillary Rights; (ii) an Enforcement Disposal in Full in relation to such Property Loan or New Property Loans and any related Ancillary Rights; or (iii) all Disposals in Part that are related to a Property Loan or New Property Loans and any related Ancillary Rights have been completed with the consequence that a Disposal in Full has occurred in relation to that Property Loan or New Property Loans and any related Ancillary Rights. The

terms "**Disposal in Full**", "**Ancillary Rights**", "**Enforcement Disposal in Full**" and "**Disposals in Part**" shall have the meanings given to them in the Senior Facility Agreement.

"**Principal Deficiency Amount**" means, with respect to any Calculation Date, the aggregate of the Principal Deficiency Amount of each Connection on such Calculation Date being, in respect of a Connection, the amount by which a Final Recovery Amount in relation to such Connection determined in the preceding Calculation Period is less than the Allocated Debt Amount (defined in the Senior Facility Agreement) in relation to such Connection.

"**Final Recovery Amount**" means, in relation to a Property Loan or New Property Loans, the amount ultimately recovered upon a final realisation of such Property Loan or New Property Loans and any related Ancillary Rights in respect of all principal or other payments due under such Property Loan or New Property Loans, whether as a result of enforcement procedures or otherwise, being the aggregate of all recovered amounts set out in the Borrower Reports in respect of such Property Loan or New Property Loans.

"**Over-amortisation Amount**" means the sum of:

A – B

where:

A= the aggregate of the Reduced ADA Amounts; and

B = the principal amount outstanding of the Senior Loan.

The Servicer or, as the case may be, the Special Servicer shall not agree to any Proposal in relation to the payment obligations of the Borrower set out in clause 12.7 (*Senior Issuer Fees*) of the Senior Facility Agreement which would change the ranking of the Senior Issuer Note Trustee Costs (as such term is defined in the Senior Facility Agreement), the priority of payments set out in clause 21.7 (*Income Account*) of the Senior Facility Agreement or amend the definition of Senior Issuer Note Trustee Costs, in each case without the prior written consent of the Note Trustee.

The Servicer or, as the case may be, the Special Servicer will be required to deposit in the Servicing File a certified copy of any agreement relating to a consent, modification, waiver or amendment agreed to by it promptly following its execution (the original counterpart to be delivered by the Note Trustee to the Senior Agent) and to forward a copy to the Note Trustee and the Rating Agency. Upon reasonable prior written notice to the Servicer or, as the case may be, the Special Servicer copies of each agreement by which any modification, waiver or amendment of any term of the Senior Loan is effected are required to be available for review during normal business hours at the offices of the Servicer or, as the case may be, the Special Servicer.

Where the Servicer or, as the case may be, the Special Servicer determines that a Meeting of Noteholders is necessary or desirable to approve a modification, amendment or waiver to the Senior Loan and related documentation, it has a right to request that the Issuer calls a Meeting of Noteholders for such purpose.

Notification shall be given to the Rating Agency, the Note Trustee and the Issuer of all material consents, modifications, waivers and/or amendments granted or made by the Servicer or, as the case may be, the Special Servicer.

Special Servicing

Upon the occurrence of a Special Servicing Event, the Servicer shall promptly give written notice thereof to the Issuer, the Note Trustee, the Special Servicer, the Noteholders and the Rating Agency.

Upon the occurrence of a Special Servicing Event:

- (a) the Senior Loan shall immediately become a "**Specially Serviced Loan**"; and
- (b) the Special Servicer shall assume its special servicing duties under the Servicing Agreement in relation to the Senior Loan and shall be entitled to receive the Special Servicing Fee with respect to the Specially Serviced Loan.

The Servicer shall forthwith deliver a copy of the Servicing File for the Specially Serviced Loan to the Special Servicer and shall use all reasonable efforts to provide the Special Servicer with all information, documents (or copies thereof) and records (including records stored electronically on computer tapes, magnetic discs and the like) relating to the Specially Serviced Loan which are:

- (a) either in the Servicer's or any of its directors', officers', employees', affiliates' or agents' possession or control or otherwise available to the Servicer without undue burden or expense; and
- (b) reasonably requested by the Special Servicer, to enable it to assume its functions hereunder with respect thereto.

Following the occurrence of a Special Servicing Event the Special Servicer may (to the extent permitted under the terms of the Senior Facility Agreement) exercise on behalf of the Issuer any rights of the Issuer under the Senior Facility Agreement and/or the Security Trust and Intercreditor Deed and/or the Duty of Care Agreements to instruct the Senior Agent and/or the Borrower Security Trustee to terminate, or require some or all of the Obligors as the other parties to the Management Agreement to terminate the appointment of the then Asset Manager, in respect of some, or all, of the Property Loans, any New Property Loans and the Asset Level Properties and appoint the Special Servicer, an Affiliate of the Special Servicer or a third party to act as replacement Asset Manager on behalf of the Issuer and to assume the role of the Asset Manager in providing the services in relation to some or all of the Property Loans, any New Property Loans and the Asset Level Properties under a replacement management agreement which in relation to material terms (including, but not limited to, termination provisions) shall be on substantially the same terms as the Management Agreement and any other necessary documents entered into by the Asset Manager in connection with the replacement management agreement, **provided that** the Special Servicer is obliged to give reasonable notice to the holders of the Most Senior Class of Notes outstanding, or any Controlling Party Representative appointed to act on their behalf, of the action it intends to take and must act on any contrary instructions it receives from the holders of the Most Senior Class of Notes outstanding by way of Ordinary Resolution or the Controlling Party Representative on behalf of the Most Senior Class of Notes outstanding (as applicable) and **provided further that** the fees payable to any replacement Asset Manager must not exceed the management fees agreed to be charged by the Special Servicer for such role under the Servicing Agreement unless, in respect of a third party Asset Manager only (excluding, for the avoidance of doubt, any Affiliate of the Special Servicer), such other fee arrangement is sanctioned by the holders of the Most Senior Class of Notes by way of Ordinary Resolution and an independent third party selected and appointed by the Special Servicer with experience in the appointment of servicers and special servicers to service commercial property loan portfolios in the UK has provided a certificate addressed to the Issuer confirming that, in its opinion, such other fee arrangement is reasonable in the context of the market for commercial property special servicers in the UK at the relevant time **and provided further that**, it shall be a term of the replacement management agreement that the appointment of the Special Servicer as replacement Asset Manager will be terminated by the relevant parties thereto if such parties are instructed to do so by any successor Special Servicer appointed pursuant to the terms of the Servicing Agreement or a replacement servicing agreement, acting in accordance with the Servicing Standard as determined by the successor Special Servicer and the parties entering into the replacement management agreement shall determine at the time the extent to which the replacement management agreement will contain provisions relating to the determination of Property Protection Costs by the replacement Asset Manager and any assistance to be provided by the replacement Asset Manager in connection with the distribution by the Issuer of Property Protection Advance funds to meet Property Protection Costs.

Servicer's Continuing Obligations

Notwithstanding the appointment of the Special Servicer, the Servicer will be required to continue to collect information and prepare all reports required to be collected or prepared by it pursuant to the terms of the Servicing Agreement during any period when the Senior Loan is a Specially Serviced Loan, but provided that the information reports in respect of the Specially Serviced Loan will be based on information and/or reports provided by the Special Servicer, which shall be provided in sufficient time to enable the Servicer to prepare the relevant report.

Controlling Party Representative

The holders of the Most Senior Class of Notes (in accordance with Condition 5(e) (*Issuer Covenants – Special Servicer and Controlling Party Representative*)), unless a Note Enforcement Notice has been delivered, will be entitled to appoint a Controlling Party Representative to represent their interests in respect of the Senior Loan and to provide advice to the Servicer or Special Servicer. Upon the appointment of a Controlling Party Representative by the Most Senior Class of Notes, each of the parties to the Servicing Agreement will be required, pursuant to the terms of the Servicing Agreement, to use all reasonable endeavours to enable the Controlling Party Representative to accede to the Servicing Agreement.

Pursuant to the terms of the Servicing Agreement and Condition 5(e) (*Issuer Covenants – Special Servicer and Controlling Party Representative*), the Controlling Party Representative:

- (a) may act or refrain from acting solely in the interests of the holders of the Most Senior Class of Notes then outstanding;
- (b) does not have any responsibilities to any Noteholders other than the holders of the Most Senior Class of Notes then outstanding;
- (c) may take actions that favour the interests of the holders of the Most Senior Class of Notes then outstanding over the interests of the other Noteholders;
- (d) will not be deemed to have been negligent or reckless, or to have acted in bad faith or engaged in wilful misconduct, by reason of its having acted solely in the interests of the holders of the Most Senior Class of Notes then outstanding;
- (e) will have no liability whatsoever for having acted solely in the interests of the holders of the Most Senior Class of Notes then outstanding, and no holder of any Class of Notes may take any action whatsoever against the Controlling Party Representative for having so acted; and
- (f) may have special relationships and interests that conflict with the interests of the holders of one or more Classes of the Notes.

Special Servicing and the Note Trustee

Following the delivery of a Note Enforcement Notice, the Servicer and, as the case may be, the Special Servicer will be required to act in accordance with the instructions of the Note Trustee in relation to all matters relating to the administration of the Senior Loan and will not be responsible for any action it takes at the direction of the Note Trustee.

Servicing Fees and Special Servicing Fees

An annual servicing fee (the "**Servicing Fee**") will be payable by the Issuer to the Servicer in relation to the Senior Loan on a quarterly basis on each Note Payment Date in accordance with the relevant Issuer Payment Priorities and the terms of the Servicing Agreement. Upon the assumption by the Special Servicer of its obligations under the Servicing Agreement, a special servicing fee (the "**Special Servicing Fee**") will be payable by the Issuer to the Special Servicer in relation to the Specially Serviced Loan on each Note Payment Date for all of the time during the immediately preceding Note Interest Period that the Senior Loan was a Specially Serviced Loan. The Special Servicing Fee with respect to a Specially Serviced Loan shall cease to accrue on the date on which a Specially Serviced Loan becomes a Corrected Loan.

A Specially Serviced Loan will become a "**Corrected Loan**" or:

- (a) with respect to a Specially Serviced Loan which became a Specially Serviced Loan following the occurrence of an event detailed in paragraph (a) to (c) of the definition of Special Servicing Event, on two consecutive Senior Loan interest periods, the Borrower (or a Guarantor) pays all principal, interest and other amounts owing in respect of the Senior Loan when they fall due and no other amount is outstanding in respect of the Senior Loan.; and

- (b) with respect to a Specially Serviced Loan which became a Specially Serviced Loan following the occurrence of an event detailed in paragraph (d) of the definition of Special Servicing Event, the relevant discussions have ceased or the modifications to which such discussions related have been effected,

and in each case no other Special Servicing Event is then outstanding.

A Liquidation Fee will be payable by the Issuer to the Special Servicer equal to 0.68 per cent. of Liquidation Proceeds. The Issuer will also pay the Servicer a Workout Fee if the Senior Loan which was a Specially Serviced Loan subsequently becomes a Corrected Loan in an amount equal to 0.68 per cent. of each collection of interest and principal received on the Senior Loan for so long as it remains a Corrected Loan. The Servicing Agreement also contains provision enabling additional fees to be charged by the Servicer or, as the case may be, the Special Servicer, or agreed between (among others) the Servicer, the Special Servicer and the Borrower (as the case may be) in certain circumstances, including (but not limited to) where the Servicer or, as the case may be, the Special Servicer is required to take any action in connection with the entry into any Third Party Mezzanine Debt, the making or procurement of Property Protection Advances, of the granting of any Proposal request from the Borrower or Guarantors.

"Liquidation Proceeds" means an amount equal to payments of principal and any other amounts under the Senior Loan during the period in which the Senior Loan is a Specially Serviced Loan.

The order of priority of the payment of the Servicing Fee or, as the case may be, the Special Servicing Fee (plus in each case any value added tax thereon, if applicable) and of the reimbursement of the Servicer's or, as the case may be, Special Servicer's costs, expenses and charges has been agreed with a view to procuring the continuing performance by the Servicer of its duties in relation to the Servicing Agreement or, as the case may be, the Special Servicer. See *"Summary Of The Issuer Transaction Documents – Cash Administration Agreement – Issuer Pre-Enforcement Revenue Priority of Payments"* and *"Summary Of The Issuer Transaction Documents – Deed of Charge – Issuer Post-Enforcement Priority of Payments"*.

Property Protection Advances

Where:

- (a) the Special Servicer in its role as Asset Manager or any third party appointed as replacement Asset Manager under the terms of the Servicing Agreement has identified Property Protection Costs for payment in respect of any Asset Level Property and the Special Servicer determines that a Property Protection Advance is required to fund such Property Protection Costs; or
- (b) the Servicer or, as the case may be, Special Servicer elects to instruct the Senior Agent under the terms of the Senior Facility Agreement to effect or renew any REO Property Insurance Policy pursuant to its rights under the Senior Facility Agreement and determines that a Property Protection Advance is required to fund any costs and expenses associated with so effecting or renewing any such insurance,

the Special Servicer or (with respect to paragraph (b) above only) the Servicer, as applicable, may (but shall not be required to) make or procure (or hire an authorised professional advisor to do the same) the making of a Property Protection Advance to the Issuer for the purpose of paying such Property Protection Costs or the costs and expenses of effecting or renewing any Insurance Policy. Any such Property Protection Advance may accrue interest at a rate and be subject to terms that have been determined by the Special Servicer (or with respect to paragraph (b) above only) the Servicer, in accordance with the Servicing Standard to be in accordance with the then current market terms. The Special Servicer (or with respect to paragraph (b) above only) the Servicer may provide assistance to the Issuer in relation to the entry into any new documentation and/or amendments required to be made to the Issuer Transaction Documents in relation to a Property Protection Advance and is required to ensure that the common terms set out in the Incorporated Terms Memorandum are incorporated by reference into the Property Protection Advance Agreement, including terms relating to the Issuer Payment Priorities and the limited recourse provisions.

The Special Servicer shall not itself or on behalf of the Issuer make or procure the making of a Property Protection Advance in respect of a Property Protection Cost under paragraph (a) above unless the Special

Servicer or a third party has been appointed as a replacement Asset Manager in respect of one or more Property Loans, or any New Property Loans.

The Servicer or, as the case may be, the Special Servicer shall review any documents, notices, requests or other information provided to it by the Senior Agent or the Borrower Security Trustee under the Servicing Agreement and shall give due consideration to the information contained therein in determining whether or not to take action to arrange a Property Protection Advance. The Servicer or, as the case may be, the Special Servicer has no obligation to request any information required to be provided to it by the Senior Agent or Borrower Security Trustee under the Servicing Agreement.

"Property Protection Advance" means an advance made by a Property Protection Provider to the Issuer on terms acceptable to the Servicer or, as the case may be, the Special Servicer solely for the purposes of funding Property Protection Costs in respect of any Asset Level Property, or (following the occurrence of a Credit Bid Restructuring Event) any New Asset Level Obligor, or the costs of effecting or renewing Insurance Policies in respect of an REO Property.

"Property Protection Advance Agreement" means any agreement entered into between the Issuer and a Property Protection Advance Provider on terms acceptable to the Servicer or, as the case may be, the Special Servicer in respect of a Property Protection Advance.

"Property Protection Advance Provider" means any provider of a Property Protection Advance to the Issuer.

"Property Protection Costs" means such insurance, ground rent, taxes and other costs that the Special Servicer in its capacity as Asset Manager, or any third party Asset Manager appointed as replacement Asset Manager pursuant to the terms of the Servicing Agreement, determines are required to be spent in order to protect and preserve any Isobel Group Company's interest in any Asset Level Property.

Enforcement of the Senior Loan and other Loan Sale Assets

The Servicer or, as the case may be, the Special Servicer is authorised to provide advice to and direct the Senior Agent to provide instructions to the Borrower Security Trustee in relation to the enforcement of the Borrower Security and in relation to any release or novation of the Obligor's obligations under the Borrower Transaction Documents or any security for the Senior Loan. The Special Servicer is also authorised to:

- (a) provide advice to any receiver appointed by an English court as to the best strategy for preserving the Issuer's rights and securing any available money from the Senior Loan;
- (b) agree the terms of, and to execute on behalf of the Issuer, or on its own behalf, a receiver's indemnity to the extent required by a receiver, (save that the Special Servicer shall not in any circumstances be compelled to grant a receiver's indemnity on its own behalf notwithstanding the requirements of the Servicing Standard) provided that: (i) such an indemnity is required by the receiver as a condition to it taking a certain action (including, without limitation, the payment of any advance distribution from the bankruptcy estate); and (ii) the Special Servicer has used reasonable endeavours to convince the receiver to take the relevant action without the provision of such an indemnity and the inclusion of such an indemnity would be in accordance with the Servicing Standard.

If either the Asset Manager appointment is terminated or the Asset Manager resigns its appointment under the Management Agreement in respect of some or all of the Property Loans, any New Property Loans and the Asset Level Properties and no new Asset Manager has yet been appointed, the Servicer or, as the case may be, the Special Servicer may give advice and directions on behalf of the Issuer pursuant to the terms of the Borrower Transaction Documents and Duty of Care Agreements and may charge additional remuneration on a daily basis in connection therewith according to the terms of the Servicing Agreement subject to a cap of 0.25 per cent. per annum of the outstanding principal amount of the Property Loans and any New Property Loans in respect of which such advice or directions have been given.

Sale of Senior Loan

Subject to the requirement to consult with any Controlling Party Representative, the Special Servicer may offer to sell to any person the Senior Loan or may offer to purchase the Senior Loan, if and when the

Senior Loan is a Specially Serviced Loan and the Special Servicer determines that to do so is consistent with the Servicing Standard. The Special Servicer is required to give the Issuer and Note Trustee not less than five Business Days prior written notice of its intention to sell the Senior Loan and to use reasonable endeavours to approach at least three potential third party purchasers. The Special Servicer is obliged to accept the highest offer made for the Senior Loan, unless the Special Servicer determines, acting in accordance with the Servicing Standard, that the rejection of such offer would be in the interests of the Issuer, as lender and the Special Servicer may accept a lower offer if it determines, in accordance with the Servicing Standard, that acceptance of such offer would be in the best interests of the Issuer, as lender.

Any purchase of the Senior Loan by the Special Servicer or an Affiliate of the Special Servicer (each being a "**Special Servicer Party**") is conditional on the purchase price offered by such Special Servicer Party being greater than the best offer received from any third party purchaser and at least equal to the Fair Market Value of the Senior Loan. In determining the "**Fair Market Value**" of the Senior Loan, the Special Servicer shall take into account, among other factors and to the extent the Special Servicer has obtained such information (using reasonable endeavours): (i) the period and amount of the delinquency on the Senior Loan, the underlying Property Loans and any New Property Loans; (ii) the time and expense associated with a purchaser enforcing on the Senior Loan (including any rights the purchaser would have under the Senior Loan and Borrower Security to enforce under the Property Loans and any New Property Loans) and the expected recovery on any such enforcement; (iii) the physical and economic condition of the underlying Asset Level Properties; (iv) all information in the Borrower Reports received by the Special Servicer and any other reports or valuations with respect to the Senior Loan, Property Loans, any New Property Loans or Asset Level Properties which the Special Servicer has received or has access to pursuant to the terms of the Senior Loan; and (v) any available objective third party information obtained from generally available sources, as well as information obtained from independent vendors providing real estate services to the Special Servicer concerning the market for distressed real estate loans and the real estate market for the subject property type in the areas where the underlying Asset Level Properties are located.

The Special Servicer is required to give prompt written notice of any Fair Market Value determination to the Issuer, the Note Trustee and the Servicer. If the Fair Market Value of the Senior Loan calculated by the Special Servicer is below the Repurchase Consideration of the Senior Loan, then the Servicer will examine the information provided by the Special Servicer with respect to its determination of Fair Market Value to verify that the Special Servicer has followed the correct procedures for determining Fair Market Value and will provide a certificate of two authorised signatories of the Servicer in relation thereto to the Issuer and the Note Trustee. The Note Trustee shall be able to rely on such certificate without further investigation (as more particularly regulated in the Note Trust Deed). Where the Special Servicer and the Servicer are Affiliates, or the same entity, the Servicer (acting in accordance with the Servicing Standard) shall appoint an independent reputable valuer of international standing with due experience of UK commercial real estate loans and property (and whose appointment is confirmed in writing by the Note Trustee, such confirmation not to be unreasonably withheld or delayed) to act on behalf of the Issuer (the fees and expenses of such appointment to be paid by the Issuer) to verify whether the Fair Market Value determined by the Special Servicer is reasonable. Any such verification by the independent value shall be binding on the Noteholders and the other Issuer Secured Creditors.

Termination of the Appointment of the Servicer

Pursuant to the terms of the Servicing Agreement:

- (a) the Issuer (with the prior consent of the Most Senior Class of Notes outstanding authorised by an Ordinary Resolution) or (following the delivery of a Note Enforcement Notice), the Note Trustee (with the prior consent of the Most Senior Class of Notes outstanding authorised by an Ordinary Resolution) may, at any time (with thirty (30) days prior notice) terminate the Special Servicer's appointment and appoint (in accordance with the terms of the Servicing Agreement) a successor Special Servicer; and
- (b) if a Controlling Party Representative has been appointed, the Controlling Party Representative may, at any time (with thirty (30) days prior notice), terminate the Special Servicer's appointment and appoint (in accordance with the terms of the Servicing Agreement, a successor Special Servicer).

Pursuant to the terms of the Servicing Agreement, if a Servicer Termination Event has occurred:

- (a) the Issuer (with the prior written consent of the Most Senior Class of Notes outstanding) or, following the delivery of a Note Enforcement Notice, the Note Trustee (with the prior written consent of the Most Senior Class of Notes outstanding) may forthwith terminate the Servicer's or, as the case may be, Special Servicer's appointment and appoint (in accordance with the terms of the Servicing Agreement) a successor Servicer or, as the case may be, Special Servicer; and
- (b) if a Controlling Party Representative has been appointed, the Controlling Party Representative may, on behalf of the Most Senior Class of Notes outstanding, forthwith, terminate the Servicer's or, as the case may be, Special Servicer's appointment and appoint (in accordance with the terms of the Servicing Agreement) a successor Servicer or, as the case may be, Special Servicer.

A "**Servicer Termination Event**" in respect of the Servicer or, as the case may be, the Special Servicer shall include, amongst other things: (i) a default in the performance of any of the Servicer's or, as the case may be, Special Servicer's material covenants or obligations pursuant to the terms of the Servicing Agreement which in the opinion of the Note Trustee is materially prejudicial to the interests of the holders of any Class of Notes which continues unremedied (if capable of remedy) for a period of three Note Business Days; (ii) default is made by the Servicer or, as the case may be, the Special Servicer in the performance or observance of its obligations in respect of Specified Enforcement Rights and the Servicer or, as the case may be, the Special Servicer fails to remedy such default (including, where applicable, ceasing or reversing the exercise of any Specified Enforcement Right exercised in breach of the Servicing Agreement) within 10 Business Days of the occurrence of such breach; and (iii) the occurrence of certain insolvency related events in relation to the Servicer or, as the case may be, Special Servicer.

In addition, the Servicer or, as the case may be, the Special Servicer may resign by giving at least 3 months written notice to, amongst others, the Issuer and the Note Trustee.

Regardless of the reason, the termination of the appointment of the Servicer or, as the case may be, the Special Servicer will not take effect until a successor Servicer or, as the case may be, Special Servicer has been appointed in its place. The identity and terms of appointment of any successor Servicer or, as the case may be, successor Special Servicer must meet certain criteria set out in the Servicing Agreement, including experience of servicing loans secured by mortgages over commercial property on terms similar to that required under the Servicing Agreement and certain tax and rating related requirements.

Upon the termination of its appointment, the Servicer or, as the case may be, the Special Servicer is required (subject to any legal or regulatory restrictions) to deliver the documents, information, computer stored data and moneys held by it in relation to its appointment to the successor Servicer or, as the case may be, the Special Servicer and is required to take such further lawful action as the Note Trustee may direct to enable such successor Servicer or, as the case may be, Special Servicer to perform its servicing duties.

In no circumstances shall the Note Trustee be obliged to assume the obligations of the Servicer or the Special Servicer.

Termination of the Appointment of the Controlling Party Representative

In accordance with the Conditions, the holders of the Most Senior Class of Notes will be entitled, at any time and by way of an Ordinary Resolution passed by the holders of the Most Senior Class of Notes, to terminate the appointment of the Controlling Party Representative and to appoint, in accordance with the terms of the Servicing Agreement, a successor Controlling Party Representative. The appointment of a Controlling Party Representative will also terminate upon the repayment in full of such Class of Notes.

Upon the delivery of a Note Enforcement Notice, the appointment of the Controlling Party Representative will forthwith be terminated.

Annual Review

The Servicer or, as the case may be, the Special Servicer is required to undertake an annual review of the Borrower, the Guarantors and the Senior Loan.

Quarterly Investor Reports and CMSA European Investor Reporting Package

Pursuant to the terms of the Servicing Agreement, following each Note Payment Date, the Servicer shall prepare a quarterly investor report (the "**Quarterly Investor Report**") and CMSA European Investor Reporting Package, in each case using only the information contained in the Asset Quarterly Report, the Distribution Worksheet and the information provided by the Cash Administrator in the Cash Administration Report. The Servicer will deliver the Quarterly Investor Report and CMSA European Investor Reporting Package to the Issuer, the Note Trustee, the Paying Agents, the Cash Administrator, the Junior Cash Administrator, RBS as originator, the Rating Agency, the Special Servicer, and any other party as the Issuer may direct, on each Quarterly Investor Reporting Date. The Servicer shall promptly thereafter publish the Quarterly Investor Report and CMSA European Investor Reporting Package on a website of the Servicer, being www.capitaassetservices.ie, or such other website as notified by the Servicer to investors from time to time or, as the case may be, Bloomberg.

Enforcement Rights and Definition of outstanding

If the Servicer or, as the case may be, the Special Servicer seeks the instructions of the Noteholders in connection with the exercise of Enforcement Rights (excluding, for the avoidance of doubt, where the Servicer or Special Servicer consults with the Sole Noteholder in connection with the exercise of any Specified Enforcement Right), then prior to the delivery of the notice of the relevant Meeting of the Noteholders, or on any request of the Note Trustee, it is required to confirm in writing to the Issuer and the Note Trustee the details of the relevant Enforcement Right, prior to the delivery of the notice of the relevant Meeting of the Noteholders.

The Servicer or, as the case may be, the Special Servicer, shall (following consultation with the Senior Agent but otherwise without any duty to make enquiries), to the extent it is aware of any Relevant Debt Holder confirm the same in writing to the Issuer and the Note Trustee, in relation to the covenant of the Issuer contained in the Incorporated Terms Memorandum, prior to convening a Meeting of Noteholders.

Delegation by the Servicer and the Special Servicer

The Servicer or, as the case may be, the Special Servicer may, in some circumstances including with the prior written consent of the Note Trustee in respect of any delegate or sub-contractor that is not an Affiliate of the Servicer or Special Servicer (as relevant), and after giving written notice to the Note Trustee and the Rating Agency, delegate or sub-contract the performance of any of its obligations or duties under the Servicing Agreement. Upon the appointment of any such delegate or subcontractor the Servicer or, as the case may be, the Special Servicer, will nevertheless remain responsible for the performance of those duties to the Issuer and the Note Trustee.

The Servicer or, as the case may be, the Special Servicer, may also engage, among others, any solicitor, valuer, surveyor, estate agent, property management agent or other professional adviser in respect of services normally provided by such persons in connection with the performance by the Servicer or, as the case may be, the Special Servicer of any of its respective functions or exercise of its power under the Servicing Agreement. The costs, charges and expenses payable to or incurred by such person shall be reimbursed to the Servicer or Special Servicer pursuant to the Servicing Agreement.

Other Matters

In no circumstances will the Servicer, the Special Servicer or, as the case may be, the Controlling Party Representative be liable for any obligation of any of the Borrower or, as the case may be, the Guarantors under the Senior Loan or have any liability to any third party for the obligations of the Issuer or the Note Trustee or any other party to the Issuer Transaction Documents. Neither the Servicer, the Special Servicer nor, as the case may be, the Controlling Party Representative will have any liability to the Issuer, the Note Trustee, the Noteholders or any other person for any failure by the Issuer to make any payment due by it under the Notes or any of the Issuer Transaction Documents, unless such failure by the Issuer results from a failure by the Servicer or, as the case may be, the Special Servicer to perform its obligations under the Servicing Agreement.

Governing law

The Servicing Agreement will be governed by English law.

SUMMARY OF THE ISSUER TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal documents relating to the transactions described herein and is qualified in its entirety by reference to the detailed provisions of the Issuer Transaction Documents.

"Issuer Transaction Documents" means the Note Trust Deed, the Deed of Charge, the Securitisation Floating Charge Debenture, the Agency Agreement, the Loan Sale Documents, the Issuer Account Bank Agreement, the Liquidity Facility Agreement, the Cash Administration Agreement, the Servicing Agreement, the Corporate Services Agreement, the Issuer Tax Deed of Covenant, the Confirmation Side Letter, the Incorporated Terms Memorandum and any Property Protection Advance Agreement.

Loan Sale Documents

Introduction

Pursuant to the terms of the Loan Sale Documents, the Seller will transfer by way of novation, and the Issuer will acquire, the right, title, interest and benefit of the Seller in the Loan Sale Assets. Consequently, as and from the Closing Date, the Issuer will be the sole lender under the Senior Loan (in such capacity, the Senior Lender pursuant to the terms of the Senior Facility Agreement).

The consideration for: (i) the sale of the Loan Sale Assets by the Seller to the Issuer; (ii) the payment of an amount equal to £4,000 by the Seller to the Issuer on the Closing Date, and (iii) the payment by the Seller of the Issuer's costs of entry into the securitisation under the Note Purchase Agreement, shall be the issue of the Notes by the Issuer to RBS as Note Purchaser (the "**Note Purchaser**") on the Closing Date (the "**Initial Consideration**") plus any amounts of Deferred Consideration payable by the Issuer to the Seller for the Loan Sale Assets. "**Deferred Consideration**" means any amounts standing to the credit of the Issuer Transaction Account after payment of items (a) to (i) of the Issuer Pre-Enforcement Revenue Priority of Payments, item (a) of the Issuer Pre-Enforcement Principal Priority of Payments and, as the case may be, items (a) to (k) of the Issuer Post-Enforcement Priority of Payments and applied by Issuer as deferred consideration for the sale of the Loan Sale Assets under the Issuer Loan Sale Agreement and in accordance with the Issuer Payment Priorities.

Pursuant to the terms of the Issuer Loan Sale Agreement, the Seller waives its rights to receive any amounts of interest or fees that accrue prior to date of sale of the Loan Sale Assets to the Issuer and instructs the Senior Agent to procure that such amount is instead paid to the Issuer.

Pursuant to the terms of the Issuer Loan Sale Agreement, the Issuer will give written notice of the transfer of the Senior Loan to the Borrower.

Representations and Warranties

The Issuer has not made (and will not make) any of the enquiries, searches or investigations which a prudent purchaser would normally make in relation to the purchase of the Loan Sale Assets. In addition, the Issuer has not made (and will not make) any enquiry, search or investigation at any time in relation to compliance by the Sellers, Asset Manager or by any other party with respect to the provisions of the Borrower Transaction Documents or in relation to any applicable laws or the execution, legality, validity, perfection, adequacy or enforceability of the Loan Sale Assets.

In relation to all of the foregoing matters concerning the Loan Sale Assets and the circumstances in which the Senior Loan was made to the Borrower prior to the novation of the Loan Sale Assets to the Issuer, the Issuer will rely entirely on the representations and warranties to be given by the Seller to the Issuer which are contained in the Issuer Loan Sale Agreement and the reports relating to the Senior Loan of which the Issuer has the benefit. Following its novation and purchase of the Loan Sale Assets, the Issuer will have the benefit of the representations and warranties given by, amongst others, the Borrower in the Senior Facility Agreement.

Subject to the agreed exceptions, materiality qualifications and, where relevant, the general principles of law limiting the same, the representations and warranties to be given by the Seller under the Issuer Loan Sale Agreement will include:

- (a) it is entitled to novate, transfer and assign its interests in the Loan Sale Assets to the Issuer, both pursuant to the Issuer Loan Sale Agreement and the Transfer Certificate and also at law;
- (b) it is not aware of any material default under any Borrower Transaction Document which has not been remedied, cured or waived (but only in a case where a reasonably prudent lender of money secured on commercial property would grant such a waiver);
- (c) it has performed in all material respects all of its obligations under or in connection with the Senior Loan and, so far as it is aware, the Borrower has not taken or has not threatened to take any action against it for any material failure on its part to perform any such obligations;
- (d) the Senior Agent has, since the drawdown of the Senior Loan, kept full and proper accounts, books and records showing clearly all transactions, payments, receipts, proceedings and notices relating to the Senior Loan, which are complete and accurate in all material respects and all such accounts, books and records are up to date as at the Closing Date and are held by the Senior Agent;
- (e) subject to the Reservations, the obligations of the Borrower and the other Obligor under the Borrower Transaction Documents constitute legally valid and binding obligations of, and are enforceable against, the Borrower and the other Obligor;
- (f) since the Utilisation Date, no amount of interest due from the Borrower has, at any time, been more than fourteen (14) days overdue;
- (g) the Borrower is obliged, under the Senior Facility Agreement, to repay the Senior Loan by the Loan Expected Maturity Date or (if extended) the Extended Loan Expected Maturity Date;
- (h) neither the Seller nor (so far as the Seller is aware) the Senior Agent has received written notice of the bankruptcy, liquidation, winding-up, receivership, administration or dissolution of any Original Guarantor or the Borrower;
- (i) the Seller is not aware of any litigation or claim calling into question in any material way its title or that of the Borrower Security Trustee to the Senior Loan or the Borrower Transaction Security (as appropriate);
- (j) the Senior Loan carries a right to repayment of principal in an amount not less than the Principal Amount Outstanding of the Notes on the Closing Date;
- (k) interest is charged on the Senior Loan at the rate which is determined in accordance with the provisions of the Borrower Transaction Documents;
- (l) the Borrower and the Original Guarantors are not entitled under the Borrower Transaction Documents to exercise any right of set-off (except pursuant to the any hedge documents entered into by such entities or to the extent required by law) against the Seller or the Senior Agent in respect of any amount which is payable under the Borrower Transaction Documents;
- (m) the Senior Loan was advanced in full to the Borrower by the Seller and does not provide for any further advances to be made;
- (n) the Seller is the sole legal owner, entitled to the Benefit of the Senior Loan, free from all Encumbrances and there is no Encumbrance on, over or affecting the Senior Loan;
- (o) save as provided for by the Issuer Transaction Documents and save for the rights of the Borrower and the Original Guarantors under the Loan Sale Assets, the Seller has not in whole or in part assigned, transferred, sold, conveyed, discounted, novated, charged, disposed of or dealt with the Benefit of the Loan Sale Assets in any way whatsoever; and

- (p) none of the provisions of the Borrower Transaction Documents were (at the time any such Borrower Transaction Documents were entered into) or have since been waived, altered or modified other than any variation specifically permitted by the Borrower Transaction Documents.

The representations and warranties given by the Seller in connection with the Loan Sale Assets pursuant to the terms of the Issuer Loan Sale Agreement are referred to as the "**Senior Loan Warranties**".

"**Reservations**" means each and all of the following reservations:

- (a) equitable remedies may be granted or refused at the discretion of the court;
- (b) enforcement of obligations may be limited by laws relating to insolvency generally and other laws generally affecting the rights of creditors;
- (c) there may be a time barring of claims under the Limitation Act 1980;
- (d) there is the possibility that an undertaking to assume liability for or to indemnify against non-payment of United Kingdom stamp duty may be void; and
- (e) there may be defences of set-off or counterclaim and similar principles, rights and defences under the laws of any foreign jurisdictions in which relevant obligations may have to be performed.

Remedy for Material Breach of Senior Loan Warranty

The Seller is required to notify the Issuer and the Note Trustee of any matter or thing which becomes known to it which is or will be, or is likely to be considered (in the reasonable option of the Seller) a Material Breach of Senior Loan Warranty. Within sixty (60) days (or such other period not exceeding ninety (90) days as the Issuer or, following the service of a Note Enforcement Notice, the Note Trustee may agree if the Note Trustee considers that the Seller is taking all reasonable steps to remedy the breach) of receipt of written notice of the relevant Material Breach of Senior Loan Warranty from the Issuer, or the Servicer (or, as the case may be, the Special Servicer) on the Issuer's behalf, the Seller shall be required to remedy the matter giving rise to such Material Breach of Senior Loan Warranty, if such matter is capable of remedy.

A "**Material Breach of Senior Loan Warranty**" means a breach of a Senior Loan Warranty in any material respect where the facts and circumstances giving rise to such breach have or will have a material adverse effect on the ability of the Issuer to discharge in full its obligations under the Issuer Transaction Documents from the amounts received by it under the Senior Loan.

If a Material Breach of Senior Loan Warranty is not capable of remedy or is not remedied within the specified period, the Seller will be required to indemnify, on demand, the Issuer against all losses, claims, demands, taxes and all other expenses or other liabilities incurred by the Issuer as a result of such Material Breach of Senior Loan Warranty within 20 Business Days of the request for indemnity by the Issuer. If the Seller disputes the request for indemnity, the Seller and Issuer shall be required to negotiate a resolution of the dispute in good faith for fifteen (15) Business Days before referring the dispute to an independent advisor.

In the event that the Issuer makes a demand for indemnity in respect of a Material Breach of Senior Loan Warranty, the Seller will be entitled (but will not be obliged), as an alternative to the Seller (as the case may be) being required to indemnify the Issuer, to repurchase the Loan Sale Assets on a date not later than the second Note Payment Date following the demand. The consideration payable in these circumstances (the "**Repurchase Consideration**") will be an amount equal to: (i) the principal balance of the Senior Loan then outstanding plus any accrued but unpaid interest thereon; plus (ii) an amount equal to any fees, costs or other expenses, including any break costs, incurred by the Issuer in connection therewith; plus (iii) any accrued but unpaid amounts payable by the Borrower under the Senior Facility Agreement at the Repurchase Date; plus (iv) the Issuer Make-Whole Amount.

"**Issuer Make-Whole Amount**" means an amount (without double counting) equal to any fees, costs or other expenses incurred by the Issuer in connection with a repurchase of the Loan Sale Assets under the Issuer Loan Sale Agreement and any repayment or termination of the Notes relating thereto including:

- (f) any break costs which would be payable by the Issuer under the Issuer Transaction Documents or any other transaction documents;
- (g) any secured obligations payable by the Issuer to any Issuer Transaction Parties under the Issuer Transaction Documents;
- (h) any fees, costs and expenses of the Issuer incurred in connection with the transfer of the Senior Loan to the Seller; and
- (i) all fees, costs and expenses payable by the Issuer to any of the Issuer Transaction Parties or any third parties in accordance with the Issuer Transaction Documents upon the repayment or termination by the Issuer or any such party of the Notes or any Issuer Transaction Document.

Neither the Issuer nor the Note Trustee will have any claim in respect of any breach of any Senior Loan Warranty that is not a Material Breach of Senior Loan Warranty.

Governing law

The Loan Sale Documents will be governed by English law.

Deed of Charge

Issuer Security

On the Closing Date, the Issuer and the Note Trustee will enter into a deed of charge (the "**Deed of Charge**") pursuant to which the Notes and certain other obligations of the Issuer (including the amounts owing to the Note Trustee under the Note Trust Deed, to the Note Trustee and any Receiver under the Deed of Charge, to the Issuer Account Bank under the Issuer Account Bank Agreement, to the Liquidity Facility Provider under the Liquidity Facility Agreement, to the Corporate Services Provider under the Corporate Services Agreement, to the Cash Administrator under the Cash Administration Agreement, to the Servicer or, as the case may be, the Special Servicer under the Servicing Agreement and any special servicer agreement and to the Paying Agents and the Agent Bank under the Agency Agreement) will be secured in favour of the Issuer Secured Parties by the following security interests:

- (a) an assignment by way of first fixed security of the Benefit of the Issuer under the Borrower Transaction Documents;
- (b) an assignment by way of first fixed security of the Benefit of the Issuer under each Issuer Transaction Document (other than the Trust Documents);
- (c) a first fixed charge of the Benefit of the Issuer Accounts and any bank or other accounts in which the Issuer may at any time have or acquire any Benefit, other than amounts standing to the credit of the Liquidity Stand-by Account (which are secured in favour of the Liquidity Facility Provider) and the Issuer Profit Account; and
- (d) a floating charge over the whole of the Issuer's undertaking and all of its assets, property and rights whatsoever and wheresoever situated, present and future, including the Issuer's uncalled capital, other than amounts standing to the credit of the Issuer Profit Account and save that any right, interest and title in, to and under any Liquidity Stand-by Account (including, for the avoidance of doubt, the interest accruing from time to time thereon) and the debts represented thereby are secured for the benefit of the Liquidity Facility Provider only.

The floating charge granted under the Deed of Charge shall crystallise into a fixed charge following the delivery of a security protection notice by the Note Trustee under the Deed of Charge (in respect of the assets specified in such notice only) or upon the delivery of a Note Enforcement Notice by the Note Trustee.

The Issuer grants a first fixed charge in favour of the Note Trustee for itself (in respect of any fees, costs and expenses attributable to enforcing such security) and the Liquidity Facility Provider over the Benefit of all its right, interests and title, in and to the Liquidity Stand-by Account as security for the payment or discharge of its obligations under the Liquidity Facility Agreement.

"Issuer Secured Parties" means:

- (a) the Note Trustee (for itself and as trustee of the Noteholders and the other Issuer Secured Parties);
- (b) the Seller;
- (c) the Paying Agents;
- (d) the Agent Bank;
- (e) the Cash Administrator;
- (f) the Issuer Account Bank;
- (g) the Liquidity Facility Provider;
- (h) the Servicer;
- (i) the Special Servicer;
- (j) the Corporate Services Provider;
- (k) any Receiver appointed under the Deed of Charge; and
- (l) such other creditor who may be a party to or accede to the terms of the Deed of Charge from time to time in accordance with the terms thereof and is designated an Issuer Secured Party.

Note Events of Default and Delivery of a Note Enforcement Notice

Pursuant to Condition 11 (*Note Events of Default*), the Note Trustee may, and in certain circumstances shall, deliver a Note Enforcement Notice to the Issuer if a Note Event of Default occurs and is continuing. Upon the delivery of a Note Enforcement Notice, all Classes of the Notes then outstanding shall immediately become due and repayable at their Principal Amount Outstanding together with accrued interest as provided in the Note Trust Deed and the Issuer Security shall become enforceable by the Note Trustee in accordance with the Deed of Charge. The Note Trustee may institute such proceedings as it thinks fit to enforce its rights under the Note Trust Deed in respect of the Notes of each Class and the Issuer Transaction Documents.

Issuer Post-Enforcement Priority of Payments

All monies received by the Issuer or the Note Trustee following the delivery of a Note Enforcement Notice, including all monies standing to the credit of the Issuer Accounts other than the Liquidity Stand-by Account (which are to be paid directly and only to the Liquidity Facility Provider) and the Issuer Profit Account will be applied in accordance with the following priority of payments (the "**Issuer Post-Enforcement Priority of Payments**"):

- (a) *first*, in or towards satisfaction, *pro rata* and *pari passu*, of the amounts due in respect of the fees and other remuneration and indemnity payments (if any) payable to the Note Trustee and any Receiver and other appointees (if any) appointed by the Note Trustee under the Trust Documents and any Liabilities incurred by the Note Trustee and any Receiver and other appointees (if any) (as the case may be) under the provisions of the Trust Documents and any other amounts payable to the Note Trustee under the Trust Documents, together with interest thereon as provided for therein;
- (b) *second*, in or towards satisfaction, *pro rata* and *pari passu*, of the amounts due in respect of any amounts due and owing by the Issuer in respect of:
 - (i) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Paying Agents and the Agent Bank incurred under the Agency Agreement;
 - (ii) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Liquidity Facility Provider under the Liquidity Facility Agreement (other than in respect

of any Liquidity Facility Subordinated Amounts and excluding, for the avoidance of doubt, any payments of principal and interest that fall in paragraph (d) below);

- (iii) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Issuer Account Bank under the Issuer Account Bank Agreement;
 - (iv) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Servicer (including any substitute Servicer appointed in accordance therewith) and the Special Servicer (including any substitute Special Servicer appointed in connection therewith) pursuant to the Servicing Agreement;
 - (v) the fees, other remuneration, indemnity payments, costs, charges, and expenses of the Cash Administrator under the Cash Administration Agreement;
 - (vi) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Corporate Services Provider under the Corporate Services Agreement in respect of services provided to the Issuer and Issuer HoldCo; and
 - (vii) the fees principal, interest, and any other amounts due and payable to the Property Protection Advance Provider (if any);
- (c) *third*, payment of any Issuer Profit Amount to be credited to the Issuer Profit Account;
 - (d) *fourth*, in or towards satisfaction of payment of all amounts of principal, interest and other amounts due but unpaid to the Liquidity Facility Provider under the Liquidity Facility Agreement (other than in respect of any Liquidity Facility Subordinated Amounts);
 - (e) *fifth*, in or towards satisfaction, *pro rata* and *pari passu*, of any amounts of interest due but unpaid under the Class A Notes;
 - (f) *sixth*, in or towards satisfaction, *pro rata* and *pari passu*, of any amounts of principal and all other amounts then due under the Class A Notes;
 - (g) *seventh*, in or towards satisfaction, *pro rata* and *pari passu*, of any amounts of interest due but unpaid under the Class B Notes;
 - (h) *eighth*, in or towards satisfaction, *pro rata* and *pari passu*, of any amounts of principal and all other amounts then due under the Class B Notes;
 - (i) *ninth*, in or towards satisfaction, *pro rata* and *pari passu*, of any amounts of interest due but unpaid under the Class C Notes;
 - (j) *tenth*, in or towards satisfaction, *pro rata* and *pari passu*, of any amounts of principal and all other amounts then due under the Class C Notes;
 - (k) *eleventh*, in or towards payment of any Liquidity Facility Subordinated Amounts payable to the Liquidity Facility Provider;
 - (l) *twelfth*, the surplus, if any, to be paid to the Seller as Deferred Consideration under the Issuer Loan Sale Agreement.

See also Condition 12(c) (*Enforcement – Issuer Post-Enforcement Priority of Payments*).

Governing law

The Deed of Charge will be governed by English law.

Note Trust Deed

Introduction

On or before the Closing Date, the Issuer and the Note Trustee will enter into a trust deed (the "**Note Trust Deed**") pursuant to which the Notes will be constituted. The Note Trust Deed will include the

form of the Notes and contain a covenant from the Issuer to the Note Trustee to pay all amounts due under the Notes. The Note Trustee will hold the benefit of that covenant on trust for the Noteholders.

Pursuant to the terms of the Note Trust Deed, the Note Trustee may retire at any time on giving not less than three (3) months' prior written notice to the Issuer without assigning any reason therefor and without being responsible for any Liabilities occasioned by such retirement. The Noteholders shall have the power (exercisable by an Extraordinary Resolution of each Class of Notes) to remove any trustee or trustees for the time being under the Note Trust Deed. The Issuer undertakes that it will use all reasonable endeavours to procure a new trustee to be appointed as soon as reasonably practicable after the Note Trustee under the Note Trust Deed retires or is removed. The retirement or removal of any such trustee will not become effective until a successor trustee being a trust corporation is appointed. If a successor trustee has not been appointed by the Issuer within two (2) months after the date of the notice of retirement of the Note Trustee, then the retiring Note Trustee may appoint its own successor trustee, being a trust corporation.

The Note Trustee may, without the consent or sanction of the Noteholders, the Couponholders, the Receiptholders or any other Issuer Secured Parties authorise or waive any proposed breach or breach of the covenants or provisions contained in the Trust Documents, the Notes or any of the other Issuer Transaction Documents or determine that a Note Event of Default or Potential Note Event of Default shall not be treated as such if the certain conditions are satisfied (see "*Terms and Conditions of the Notes – Modification, Waiver and Substitution*").

If a person, either (i) blocks in its account with Euroclear or Clearstream, Luxembourg or any other relevant clearing system all the Notes of all the classes then outstanding and provides the Note Trustee with proof of holding from Euroclear or Clearstream, Luxembourg or any such other relevant clearing system evidencing its holding of such Notes; or (ii) otherwise provides evidence satisfactory to the Note Trustee that it is the Sole Noteholder in respect of all Notes of all the Classes then outstanding, then in either case, for so long as the Note Trustee has such evidence that there is one Sole Noteholder, the Note Trustee

- (a) shall inform the Sole Noteholder prior to delivering a Note Enforcement Notice or taking any proceedings or steps to enforce or exercise any rights in connection with the Issuer Security (including the delivery of a Security Protection Notice) or to exercise any right to direct the Borrower Security Trustee to enforce the Borrower Security; and
- (b) notwithstanding the provisions of Condition 11(b) (*Note Events of Default*) or Condition 12 (*Enforcement*), but subject to the Note Trustee being indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur in so doing (and in relation to the actions described in paragraph (a)(iii) of Condition 12 (*Enforcement*)) the Note Trustee agrees pursuant to the Deed of Charge that in respect of the appointment of an Administrative Reciever under the Deed of Charge and paragraph (a)(iii) of Condition 12 (*Enforcement*) it is adequately indemnified, prefunded and secured to its satisfaction against all Liabilities in respect of such appointment as specified therein, the Note Trustee shall not deliver a Note Enforcement Notice or take any proceedings or step to enforce or exercise any rights in connection with the Issuer Security (including the delivery of a Security Protection Notice) or to exercise any right to direct the Borrower Security Trustee to enforce the Borrower Security without first obtaining the consent of the Sole Noteholder in writing and shall act on any instructions of the Sole Noteholder received in writing in connection therewith.

Until it is provided with evidence in accordance with the above, the Note Trustee shall be entitled to assume that there is no Sole Noteholder and shall have no Liability to any person for so doing. The Note Trustee shall not have any Liability whatsoever to the Issuer, the Noteholders or any other Issuer Secured Party or Borrower Secured Party, or any other person for any action taken or not taken by the Note Trustee, or any delay in taking any action by the Note Trustee in accordance or in connection with any consent or instruction received the Sole Noteholder or in connection with any consent or instruction required from the Sole Noteholder or as a result of or in connection with the Note Trustee waiting for any consent or instruction from the Sole Noteholder pursuant to the operation of the provisions described above.

Certain Rights of Noteholders and Resolution of Conflicts of Interest

The Note Trust Deed will contain provisions requiring the Note Trustee to, unless otherwise provided, have regard to the interests of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders as if they formed a single Class. Where, however, in the opinion of the Note Trustee there is a conflict between the interests of the Class A Noteholders and the interests of any of the Class B Noteholders and the Class C Noteholders the Note Trustee shall give priority to the interests of the holder of the Most Senior Class of Notes then outstanding. If a conflict exists between the interests of the Noteholders and the interests of the other Issuer Secured Parties, the Note Trustee is required to have regard solely to the interests of the Noteholders and no other Issuer Secured Party shall have any claim against the Note Trustee for so doing.

The Note Trust Deed will contain provisions for convening Meetings of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders, to consider any matter affecting their interests, including the sanctioning by an Extraordinary Resolution of such Noteholders of the relevant Class or Classes of any modification of the Notes of the relevant Class or Classes (including the Conditions as they relate to the Notes of such relevant Class, as the case may be) or any of the provisions of any of the Issuer Transaction Documents. The Note Trustee may concur, at any time and from time to time, without the consent or sanction of the Noteholders, the Couponholders, the Receiptholders or any other Issuer Secured Parties, with the Issuer and/or any other relevant party to any of the Issuer Transaction Documents in making any modification to the Conditions, the Trust Documents, the Notes or the other Issuer Transaction Documents to which it is a party or over which it has security, or may give its consent to any event, matter or thing, if (i) in its opinion, the interests of the holders of each Class of Notes then outstanding will not be materially prejudiced thereby; or (ii) such modification is required or permitted, subject to the satisfaction of specified conditions under the terms of the Conditions or the Issuer Transaction Documents, provided such conditions are satisfied; or (iii) in relation to any modification, if in its opinion, it is required to correct a manifest error or an error in respect of which an English court could reasonably be expected to make a rectification order or is of a formal, minor, administrative or technical nature. However, the Note Trustee may not agree to any modification that constitutes a Reserved Matter under item (i) above unless such modification is approved by an Extraordinary Resolution complying with certain terms of the Note Trust Deed. The Note Trust Deed also contains a mechanism at clause 18.1 (*Modification of Issuer Transaction Documents*) for the Note Trustee to approve certain amendments and modifications requested in writing by the Issuer as required to implement the then current rating criteria of the Rating Agency, or having been discussed with the Rating Agency, in either case, to maintain or improve the current credit ratings of the Most Senior Class of Notes outstanding, subject to the satisfaction of certain conditions.

The Issuer shall also be required to arrange a Meeting of Noteholders at the request of the Servicer, or as may be the case, the Special Servicer where the Servicer or, as may be the case, the Special Servicer determines that Noteholder consent is necessary or desirable in connection with a waiver, modification or amendment to the Borrower Transaction Documents under the terms of the Servicing Agreement, in respect of an Excluded Matter.

"Excluded Matter" means in respect of the Senior Finance Documents a proposal:

- (a) to change the date of payment of any amounts under the Senior Finance Documents (other than the final maturity date of the Senior Loan);
- (b) to change the principal amount of the Senior Loan;
- (c) to change the margin on the Senior Loan;
- (d) to change the currency of the Senior Loan;
- (e) to extend the final maturity date of the Senior Loan beyond the date falling 5 years prior to the Note Final Maturity Date;
- (f) to extend the final maturity date of any Property Loan or any New Property Loan beyond the Note Final Maturity Date or to permit the entry into of a New Property Loan with a final maturity date beyond the Note Final Maturity Date; or
- (g) to amend this definition,

provided however, for the avoidance of doubt that the following shall not be Excluded Matters:

- (h) the issuance of any standstill provided by the Servicer or the Special Servicer (as applicable); or
- (i) following a Loan Event of Default, a disposal of a Property Loan, or New Property Loan (as applicable) for an amount which is less than the Allocated Debt Amount or its outstanding principal balance.

"Reserved Matter" means any proposal:

- (a) to change any date fixed for payment of principal or interest in respect of the Notes of any Class, to reduce the amount of principal or interest due on any date in respect of the Notes of any Class or to alter the provisions in the Conditions setting out the method of calculating the amount of any payment in respect of the Notes of any Class;
- (b) (except in accordance with Condition 7(c) (*Redemption and Cancellation – Substitution/Redemption in Whole for Taxation Reasons*), Condition 7(d) (*Redemption and Cancellation – Substitution/Redemption in Whole for Other Reasons*) and clause 19 (*Substitution*) of the Note Trust Deed) to effect the exchange, conversion or substitution of the Notes of any Class for, or the conversion of such Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed and/or for cash;
- (c) to change the currency in which amounts due in respect of the Notes of any Class are payable;
- (d) to alter the ranking in the priority of payment of payments of interest or principal in respect of the Notes;
- (e) to change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution; or
- (f) to amend this definition.

Quorum and Relationship Between Classes

The quorum of any Meeting convened to vote on:

- (a) an Ordinary Resolution relating to a particular Class or Classes of Notes at any Meeting of Noteholders relating to a particular Class or Classes of Notes, will be one (1) or more persons present holding voting certificates or being proxies and holding or representing not less than one-tenth of the aggregate Principal Amount Outstanding of the Notes of the relevant Class or Classes of Notes then outstanding or, at any adjourned Meeting, one or more persons being or representing the Noteholders, whatever the aggregate Principal Amount Outstanding of the Notes (or any Class thereof) so held or represented;
- (b) an Extraordinary Resolution relating to a particular Class or Classes of Notes, other than regarding a Reserved Matter or an Excluded Matter, will be one (1) or more persons present holding voting certificates or being proxies and holding or representing more than one-half of the aggregate Principal Amount Outstanding of the Notes of the relevant Class or Classes of Notes then outstanding or, at any adjourned Meeting, one (1) or more such persons, whatever the aggregate Principal Amount Outstanding of the Notes of the relevant Class so held or represented; and
- (c) an Extraordinary Resolution relating to a Reserved Matter or an Excluded Matter (which must be proposed separately to each Class of Noteholders entitled to vote), will be one (1) or more persons present holding voting certificates or being proxies and holding or representing not less than three-quarters of the aggregate Principal Amount Outstanding of the Notes of the relevant Class then outstanding or, at any adjourned Meeting, one (1) or more such persons holding or representing not less than one-third of the Principal Amount Outstanding of the Notes of the relevant Class.

Subject to the provisions of the Note Trust Deed and the paragraphs below, any Ordinary Resolution or Extraordinary Resolution passed at a Meeting of Noteholders of one Class of Notes duly convened and

held in accordance with the Note Trust Deed to approve any matter other than a Reserved Matter or Excluded Matter shall, if such Class is the Most Senior Class of Notes outstanding, be binding upon all Classes of Noteholders ranking junior thereto (to the extent that there are any) and the holders of the Coupons and Receipts relating thereto.

No Extraordinary Resolution passed at a Meeting of Noteholders of one Class of Notes, duly convened and held for such purpose, to sanction a modification of the Conditions, the Notes, or the provisions of any Issuer Transaction Document or a waiver or authorisation of any breach or proposed breach thereof, shall be effective unless sanctioned by an Extraordinary Resolution of the holders of each other Class of Notes outstanding at separate meetings convened for that purpose unless the Note Trustee considers that the interests of the holders of such other Class of Notes (and the holders of the Coupons and Receipts relating thereto) would not be materially prejudiced by the implementation of such first mentioned Extraordinary Resolution.

No Extraordinary Resolution involving an Excluded Matter or a Reserved Matter that is passed by the holders of one Class of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each other Class of Notes outstanding at separate meetings duly convened for that purpose (to the extent that there are Notes outstanding in each such other Classes), save that an Extraordinary Resolution of the Class B Notes and/or the Class C Notes (save where such Class is the Most Senior Class of Notes outstanding) shall not be required if such Class fails to satisfy the Instructing Junior Class Test at the relevant time.

Any resolution passed at a Meeting of Noteholders of one or more Classes of Notes duly convened and held in accordance with the Note Trust Deed shall be binding upon all Noteholders of such Class or Classes, whether or not present at such Meeting and whether or not voting.

Governing law

The Note Trust Deed will be governed by English law.

Securitisation Floating Charge Debenture

Securitisation Floating Charges

Pursuant to a floating charge debenture to be entered into on or about the Closing Date (the "**Securitisation Floating Charge Debenture**") between, amongst others, the Borrower, the Guarantors (together, the "**Securitisation Floating Charge Obligors**"), the Issuer, the Borrower Security Trustee and the Note Trustee, the Securitisation Floating Charge Obligors will grant with full title guarantee, in favour of the Borrower Security Trustee, a first floating charge (the "**Securitisation Floating Charges**") over all of their present and future assets, property and undertakings (other than the Excluded Assets) by way of security for the Borrower Secured Obligations, which include a £1,000 loan to be made by the Issuer on the Closing Date to each of the Securitisation Floating Charge Obligors (the "**Securitisation Obligor Loan**"). The Borrower and each WorkoutCo will also grant with full title guarantee charges in favour of the Borrower Security Trustee by way of floating charge all of its rights, title and interest from time to time in and to the Excluded Assets as security for the payment and discharge of the Borrower Secured Obligations.

The Securitisation Obligor Loan shall not bear interest and shall be deferred as to its repayment until the relevant Obligor is no longer under any actual or contingent liability under the Borrower Transaction Documents and the Securitisation Floating Charge Debenture (save in respect of the repayment of such Securitisation Obligor Loan).

The floating charges created pursuant to the Securitisation Floating Charge Debenture will rank in point of priority ahead of the floating charges created by each of the Securitisation Floating Charge Obligors pursuant to the Borrower Security Documents.

The maximum amount recoverable out of the enforcement of the Securitisation Floating Charges is £1,000 in respect of each Securitisation Obligor, after all security created by the Borrower Transaction Documents (other than pursuant to the initial floating charges granted by the Obligors) in favour of the Borrower Security Trustee has been enforced and substantially realised. The maximum amount recoverable out of the enforcement of the floating charge granted over the Excluded Assets is the last £10 of the Borrower Secured Obligations after (and being fully subordinated to) all other Borrower

Transaction Security granted by the Securitisation Obligors in favour of the Borrower Security Trustee has been enforced and substantially realised.

The Borrower Security Trustee may, after the occurrence of an event of default under the Securitisation Floating Charge Debenture by written notice to the Obligors, convert the Securitisation Floating Charges into fixed charges. The Securitisation Floating Charges will also automatically be converted (without notice) into fixed charges as upon the occurrence of an Insolvency Event in relation to an Obligor (as applicable).

Governing law

The Securitisation Floating Charge Debenture will be governed by English law.

Issuer Account Bank Agreement

Introduction

The Issuer, the Cash Administrator, the Issuer Account Bank and the Note Trustee will enter into an agreement (the "**Issuer Account Bank Agreement**") on or about the Closing Date pursuant to which the Issuer will appoint Deutsche Bank AG, London Branch, acting through its office at Winchester House, 1 Great Winchester Street, London EC2N 2DB as the Issuer Account Bank.

The Senior Agent will be responsible, pursuant to the terms of the Servicing Agreement, for ensuring that the amounts received by the Issuer in connection with the Senior Loan are paid into the Issuer Transaction Account.

Withdrawals from the Issuer Accounts will be made only in accordance with the provisions of the Issuer Account Bank Agreement, the Cash Administration Agreement and the Deed of Charge.

In accordance with the terms of the Issuer Account Bank Agreement, the Issuer Account Bank has agreed to comply with all directions of, as applicable, the Cash Administrator on behalf of the Issuer and, following the delivery of a Note Enforcement Notice by the Note Trustee, on behalf of the Note Trustee, to effect payments from the Issuer Accounts in accordance with the terms of the Issuer Account Bank Agreement and the relevant bank mandates.

The Issuer Account Bank will operate the Issuer Accounts in accordance with the Issuer Account Bank Agreement and the Cash Administration Agreement for so long as it maintains the Issuer Account Bank Requisite Rating.

If the Issuer Account Bank ceases to be a bank for the purposes of section 879 of the Income Tax Act acting in the ordinary course of its business with payments (other than deposits) made under the Issuer Account Bank Agreement forming part of its income for UK Tax purposes, the Issuer Account Bank shall give written notice thereof to the Issuer, the Cash Administrator and the Note Trustee and the Issuer shall within 30 calendar days, or the outstanding Issuer Account Bank may, appoint a successor Issuer Account Bank.

If the Issuer Account Bank fails to maintain the Issuer Account Bank Requisite Rating, the Issuer Account Bank is obliged to appoint a successor Issuer Account Bank that has the Issuer Account Bank Requisite Rating (subject to the entering into of arrangements on substantially the same terms as those contained in the Issuer Account Bank Agreement) or take other action agreed with the Issuer (with the prior written consent of the Note Trustee) to maintain the then current ratings assigned to the Most Senior Class of Notes within 30 calendar days. If the Issuer Account Bank has not managed to replace itself within such 30 calendar day period, it will notify the Issuer and the Note Trustee thereof. Following such period, the Issuer Account Bank's obligation to appoint a successor account bank shall continue to apply and it will consult with the Rating Agency to consider alternative criteria for a replacement prior to the selection of a replacement. The Issuer Account Bank will keep the Issuer, the Note Trustee, the Cash Administrator, the Servicer and the Special Servicer informed of any discussions it has with the Rating Agency and shall consider any views they and the Rating Agency may express during the consultation. Following such consultation, if a replacement entity is appointed, such appointment will be notified by the Issuer Account Bank to the Rating Agency promptly. The terms of the Issuer Account Bank Agreement provide that the Issuer Account Bank shall not have any liability to any person for any delay or failure to procure such transfer. Administrative costs properly incurred by the Issuer or the Note

Trustee in connection with any such replacement and all costs incurred by the Issuer Account Bank in relation thereto shall be borne by the Issuer Account Bank.

If, other than in the circumstances specified above, the Cash Administrator wishes the bank or branch at which the Issuer Accounts are maintained to be changed, the Cash Administrator will be required to obtain the prior written consent of the Issuer (such consent not to be unreasonably withheld) and after consultation with the Note Trustee. The transfer of such accounts will be subject to the same directions and arrangements as are provided for above.

The Issuer shall inform the Rating Agency of any transfer of the Issuer Accounts to any other bank for whatever reason.

Costs and Expenses of the Issuer Account Bank

On each Note Payment Date, the Issuer will, in accordance with the Issuer Payment Priorities, pay the Issuer Account Bank any fees then owed to it under the terms of the Issuer Account Bank Agreement and, in accordance with the terms of the Issuer Account Bank Agreement, reimburse it for all out-of-pocket costs and expenses reasonably incurred in the performance of its obligations on behalf of the Issuer (other than any costs and expenses incurred by the Issuer Account Bank in connection with the replacement of the Issuer Account Bank for failing to maintain the Issuer Account Bank Requisite Rating) and will be payable in priority to the Notes.

Governing law

The Issuer Account Bank Agreement will be governed by English law.

Cash Administration Agreement

Introduction

The Issuer, the Cash Administrator, the Servicer, the Special Servicer and the Note Trustee will enter into an agreement (the "**Cash Administration Agreement**") on or about the Closing Date under which the Issuer will appoint Deutsche Bank AG, London branch, acting through its office at Winchester House, 1 Great Winchester Street, London EC2N 2DB, as the Cash Administrator, to provide certain cash administration services (the "**Cash Administration Services**") on behalf of the Issuer.

In performing the cash administration services, the Cash Administrator will undertake to exercise the same level of skill, care and diligence as it would apply if it were the beneficial owner of the monies to which the cash administration services relate and agrees that it will comply with any directions given by or on behalf of the Issuer or, following the occurrence of a Note Event of Default or the delivery of a Note Enforcement Notice, the Note Trustee in accordance with the terms of the Cash Administration Agreement and the Deed of Charge. The Cash Administrator may, in accordance with the terms of the Cash Administration Agreement, sub-contract its obligations under the Cash Administration Agreement to third parties.

In accordance with the Cash Administration Agreement, the Cash Administrator's principal function (which it will undertake on behalf of the Issuer and, following the delivery of a Note Enforcement Notice by the Note Trustee, the Note Trustee) will be effecting payments to and from the Issuer Accounts and, as the case may be, the ledgers thereof in accordance with the provisions of the Issuer Transaction Documents.

In accordance with and pursuant to the terms of the Cash Administration Agreement, the Cash Administrator will maintain and operate a Sterling transaction account (the "**Issuer Transaction Account**"), a Sterling general reserve account (the "**Issuer General Reserve Account**") and, if applicable, a Sterling stand-by account (the "**Liquidity Stand-by Account**" and, together with the Issuer Transaction Account, the Issuer General Reserve Account and the Issuer Profit Account, the "**Issuer Accounts**") in order to carry out effectively its cash management obligations.

Any Issuer Profit Amounts retained by the Issuer shall be held in the Issuer Profit Account and shall not be run down the Issuer Payment Priorities or subject to any Issuer Security.

The Cash Administrator shall prepare, and within 3 Note Business Days of each Note Payment Date (other than the First Note Payment Date, in respect of which the deadline shall be 13 Note Business Days following the First Note Payment Date), deliver to the Issuer, the Note Trustee, the Servicer and the Special Servicer a cash administration report (the "**Cash Administration Report**") in respect of the immediately preceding Note Interest Period in which it will notify the recipients of, amongst other things, all amounts received in the Issuer Accounts and interest payments and repayments and prepayments on the Notes, save that the obligation of the Cash Administrator to prepare the Cash Administration Reports shall only apply to the extent the Cash Administrator has been provided with all the information it requires to be able to prepare such Cash Administration Reports. The Cash Administrator shall also make available to the Noteholders, on behalf of the Issuer, a copy of each Cash Administration Report on its website currently located at: <https://www.tss.db.com/invr> within 3 Note Business Days of the relevant Note Payment Date (other than the First Note Payment Date, in respect of which the deadline shall be 13 Note Business Days following the First Note Payment Date).

The Cash Administrator will notify the Servicer, the Special Servicer and the Senior Agent by 10:00am on the fourth Business Day prior to each Loan Payment Date with details of all fees, costs, expenses and other payments of the Issuer under paragraphs (a) to (d) and (h) of the Issuer Pre-Enforcement Revenue Priority of Payments and paragraphs (a) to (d) and (k) of Issuer Post-Enforcement Priority of Payment, in each case which are required to be paid by the Issuer pursuant to the Issuer Payments Priorities on the next Note Payment Date.

In addition, in order to allow it to perform the principal function and each of the reporting and investment obligations, the Cash Administrator will be required under the Cash Administration Agreement to make certain calculations.

The Cash Administrator's obligations under the Cash Administration Agreement are described in more detail in the following paragraphs.

Payments from the Issuer Transaction Account

The Cash Administrator will, in accordance with the terms of the Cash Administration Agreement, make the following payments on behalf of the Issuer from the Issuer Transaction Account:

- (a) on each Note Payment Date prior to the delivery of a Note Enforcement Notice, to the extent of Available Funds, the payments required to be paid by the Issuer in accordance with the Issuer Pre-Enforcement Revenue Priority of Payments and the Issuer Pre-Enforcement Principal Priority of Payments; and
- (b) following the date on which a Note Enforcement Notice is delivered by the Note Trustee, the payments required to be paid by the Issuer in accordance with the Issuer Post-Enforcement Priority of Payments.

The Cash Administrator will, on behalf of the Issuer, and for the purposes of making the above payments, as at each Calculation Date, determine, amongst other things, the following:

- (a) prior to the delivery of a Note Enforcement Notice by the Note Trustee, the allocations due in accordance with the Issuer Pre-Enforcement Revenue Priority of Payments;
- (b) prior to the delivery of a Note Enforcement Notice by the Note Trustee, the allocations due in accordance with the Issuer Pre-Enforcement Principal Priority of Payments;
- (c) following the delivery of a Note Enforcement Notice by the Note Trustee, the allocations due in accordance with the Issuer Post-Enforcement Priority of Payments;
- (d) the then Principal Amount Outstanding of each Class of Notes;
- (e) the Note Principal Payments due on such Note Payment Date;
- (f) the Principal Amount Outstanding of each Class of Notes immediately after the next Note Payment Date; and

- (g) the Available Principal Funds, Available Revenue Funds and Available Funds standing to the credit of the Issuer Transaction Account as at that Calculation Date and available for distribution on the following Note Payment Date.

Issuer General Reserve Account

The Issuer General Reserve Account will be opened in the name of the Issuer and amounts available to the Issuer under the Issuer Pre-Enforcement Revenue Priority of Payments (other than on the First Note Payment Date and after payment of all the obligations owed by the Issuer which come higher in the Issuer Pre-Enforcement Revenue Priority of Payments) shall be transferred to the Issuer General Reserve Account until the amount held in such account is equal to £3,000,000 (the "**Issuer General Reserve Required Amount**") with any excess being paid by the Issuer to the Seller as deferred consideration under the Issuer Loan Sale Agreement. Amounts held in the Issuer General Reserve Account shall form part of the Available Revenue Funds and be applied in accordance with the Issuer Payment Priorities on each Note Payment Date and on any Business Day in respect of payments of Issuer Profit Amount and payments to third parties under paragraph (c) of the Issuer Pre-Enforcement Priority of Payments on the previous Note Payment Date. Any funds remaining in the Issuer General Reserve Account once all Notes and other liabilities of the Issuer have been repaid in full shall be released and paid by the Issuer to the Seller as deferred consideration under the Issuer Loan Sale Agreement.

Issuer Pre-Enforcement Revenue Priority of Payments

Prior to the delivery of a Note Enforcement Notice by the Note Trustee, on each Note Payment Date, all amounts standing to the credit of the Issuer Transaction Account (other than Principal Collections) plus any sums held in the Issuer General Reserve Account, in each case as calculated on the immediately preceding Calculation Date (the "**Available Revenue Funds**") will be applied by the Cash Administrator on behalf of the Issuer, along with any Liquidity Drawings available to the Issuer, in accordance with the following priority of payments (the "**Issuer Pre-Enforcement Revenue Priority of Payments**") in making payment of, or provision for, any amounts then due and payable (**provided that** payments that fall within paragraph (c) below may be made out of the Issuer Transaction Account or Issuer General Reserve Account other than on the relevant Note Payment Date, but may only be made out of the Issuer Transaction Account where such payments have been provided for by the Cash Administrator on such Note Payment Date):

- (a) *first*, in or towards satisfaction, *pro rata* and *pari passu*, of all amounts due in respect of the fees and other remuneration and indemnity payments (if any) payable to the Note Trustee and other appointees (if any) appointed by the Note Trustee under the Trust Documents and any costs, charges, liabilities and expenses incurred by the Note Trustee (as the case may be) under the Trust Documents and any other amounts payable to the Note Trustee under the Trust Documents, together with interest thereon as provided for therein,
- (b) *second*, in or towards satisfaction, *pro rata* and *pari passu*, of the amounts due in respect of any amounts due and owing by the Issuer in respect of:
- (i) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Paying Agents and the Agent Bank incurred under the Agency Agreement;
 - (ii) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Liquidity Facility Provider under the Liquidity Facility Agreement (other than in respect of any Liquidity Facility Subordinated Amounts and excluding, for the avoidance of doubt, any payments of principal and interest that fall in Paragraph (d) below);
 - (iii) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Issuer Account Bank under the Issuer Account Bank Agreement;
 - (iv) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Servicer (including any substitute Servicer appointed in accordance therewith) and the Special Servicer (including any substitute Special Servicer appointed in connection therewith) pursuant to the Servicing Agreement;
 - (v) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Cash Administrator under the Cash Administration Agreement;

- (vi) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Corporate Services Provider under the Corporate Services Agreement in respect of services provided to the Issuer and Issuer HoldCo; and
 - (vii) the fees principal, interest, and any other amounts due and payable to the Property Protection Advance Provider, if any;
- (c) *third*, in or towards satisfaction, *pro rata and pari passu*, of:
- (i) payment of amounts due and payable to any third party creditors of the Issuer, or to become due and payable to any third party creditors of the Issuer during the following Note Interest Period (other than Tax or those referred to later in this Issuer Pre-Enforcement Revenue Priority of Payments), approved in writing by the Note Trustee and of which the Cash Administrator has notice prior to the relevant Note Payment Date, which amounts have been incurred without breach by the Issuer of the Issuer Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere); and
 - (ii) payment of the Issuer Profit Amount into the Issuer Profit Account and pursuant to paragraph 3.1.2 of Schedule 2 of the Cash Administration Agreement, utilised by the Issuer to pay United Kingdom corporation tax to HMRC for which the Issuer is primarily liable in respect of the Issuer Profit Amount and any other Tax for which the Issuer is liable under the laws of any jurisdiction (to HMRC or otherwise) and any surplus to be used for general corporate purposes, including the distribution of profits by the Issuer to Issuer HoldCo;
- (d) *fourth*, in or towards satisfaction of payment of all amounts of interest, principal and other amounts due but unpaid to the Liquidity Facility Provider under the Liquidity Facility Agreement (other than in respect of any Liquidity Facility Subordinated Amounts);
- (e) *fifth*, in or towards satisfaction, *pro rata and pari passu*, of all amounts of interest due or overdue but unpaid under the Class A Notes;
- (f) *sixth*, in or towards satisfaction, *pro rata and pari passu*, of all amounts of interest due or overdue but unpaid under the Class B Notes;
- (g) *seventh*, in or towards satisfaction, *pro rata and pari passu*, of all amounts of interest due or overdue but unpaid under the Class C Notes;
- (h) *eighth*, in or towards satisfaction of the amounts due in respect of any Liquidity Facility Subordinated Amounts payable to the Liquidity Facility Provider;
- (i) *ninth*, other than on the First Note Payment Date, funds to be transferred to the Issuer General Reserve Account until the amount held in the Issuer General Reserve Account is equal to the Issuer General Reserve Required Amount; and
- (j) *tenth*, the surplus (if any) to be paid to the Seller as Deferred Consideration under the Issuer Loan Sale Agreement.

On each Calculation Date, to the extent that the Available Revenue Funds on the relevant Note Payment Date are insufficient to make the payments under paragraphs (a) to (g) (inclusive) of the Issuer Pre-Enforcement Revenue Priority of Payments, the Cash Administrator (on behalf of the Issuer) will make a drawing under the Liquidity Facility in accordance with the terms thereof in an amount equal to such deficiency to the extent of the Available Liquidity Facility or, to the extent credited thereto, the Liquidity Stand-by Account See "*Summary Of The Issuer Transaction Documents -Liquidity Facility Agreement*"

Issuer Pre-Enforcement Principal Priority of Payments

On each Note Payment Date, amounts standing to the credit of the Issuer Transaction Account constituting Principal Collections as calculated on the immediately preceding Calculation Date ("**Available Principal Funds**") will be applied by the Cash Administrator (on behalf of the Issuer) in

mandatory redemption of the Notes as set out below (the "**Issuer Pre-Enforcement Principal Priority of Payments**") and in accordance with Condition 7 (*Redemption and Cancellation*):

- (a) all Available Principal Funds will be allocated to the redemption of the Notes sequentially beginning with the Most Senior Class of Notes then outstanding; and
- (b) the surplus, if any, to be paid to the Seller as Deferred Consideration under the Issuer Loan Sale Agreement.

For the purposes of this section:

"Available Funds" means all amounts standing to the credit of the Issuer Transaction Account including, for the avoidance of doubt, Available Principal Funds and Available Revenue Funds.

"Principal Collections" means the amounts received by the Issuer by way of the repayment (or prepayment) of principal in respect of the Senior Loan and any other amounts of a principal nature received by the Issuer in respect of the Senior Loan and the other Loan Sale Assets, including any Seller Repurchase Amounts or, as the case may be, Seller Indemnity Amounts of a principal nature.

"Revenue Collections" means all amounts other than Principal Collections received by the Issuer in respect of the Senior Loan and other Loan Sale Assets.

"Note Calculation Period" means, with respect to any Calculation Date, the period from and including the immediately preceding Calculation Date (or, in the case of the first Calculation Date from and including the Closing Date) to but excluding such Calculation Date.

Costs and Expenses of the Cash Administrator

On each Note Payment Date, the Issuer will, in accordance with the Issuer Payment Priorities, pay the Cash Administrator any fees then owed to it under the terms of the Cash Administration Agreement and, in accordance with the terms of the Cash Administration Agreement, reimburse it for all Liabilities properly incurred by the Cash Administrator in respect of the Note Calculation Period ending on the Calculation Date immediately preceding such Note Payment Date, save to the extent that such Liabilities have been caused by the negligence, wilful default, or fraud of the Cash Administrator in carrying out its duties and functions as Cash Administrator under the Cash Administration Agreement and the other Issuer Transaction Documents to which it is party.

Instructing Junior Class Test

In order to determine whether the Class B Notes or the Class C Notes satisfy the Instructing Junior Class Test, the Cash Administrator shall maintain in the books of the Issuer a ledger designated the "Principal Deficiency Ledger". The Senior Agent shall, on each Calculation Date notify the Cash Administrator of the relevant Principal Deficiency Amount and the relevant Over-amortisation Amount. The Cash Administrator shall record as a credit in the Principal Deficiency Ledger the relevant Over-amortisation Amount which, for the avoidance of doubt, shall replace any previous Over-amortisation Amount recorded on the Principal Deficiency Ledger. The Cash Administrator shall record as a debit in the Principal Deficiency Ledger any Principal Deficiency Amount.

The Cash Administrator shall notify the Servicer, the Special Servicer, the Issuer and the Note Trustee if at any time the Class B Notes and/or the Class C Notes fail to satisfy the Instructing Junior Class Test.

Termination of Appointment of the Cash Administrator

Pursuant to the terms of the Cash Administration Agreement, the Issuer (with the prior written consent of the Note Trustee) or, following the delivery of a Note Enforcement Notice, the Note Trustee may at any time (with thirty (30) days prior notice) terminate the Cash Administrator's appointment and appoint a successor cash administrator.

The appointment of the Cash Administrator shall terminate forthwith if (a) an Insolvency Event occurs in relation to the Cash Administrator; (b) the Cash Administrator defaults in the performance of any of its covenants and obligations under the Cash Administration Agreement (including where the default is caused by a delegate or sub-contractor of the Cash Administrator) and such default is materially

prejudicial to the interest of the Noteholders and is not cured or waived within three (3) Note Business Days (in respect of a default for non-payment) or twenty (20) Note Business Days (in respect of any other material default) of it occurring; or (c) if it becomes unlawful for the Cash Administrator to perform or comply with its obligations under the Cash Administration Agreement. In such a case, the Issuer shall forthwith appoint a successor cash administrator.

In addition, the Cash Administrator may resign by giving at least three (3) months prior written notice to the Issuer and the Note Trustee.

Regardless of the reason, the termination of the appointment of the Cash Administrator will not take effect until a successor cash administrator has been appointed in its place. The identity and terms of appointment of any successor cash administrator must meet certain criteria set out in the Cash Administration Agreement. The fee payable to any successor cash administrator is such rate as is agreed by the Issuer and the Note Trustee but which does not exceed the rate then commonly charged by providers of services of the kind described in the Cash Administration Agreement (to the satisfaction of the Issuer having used reasonable endeavours to obtain quotes from at least two such service providers).

Upon the termination of its appointment, the Cash Administrator is required (subject to any legal or regulatory restrictions) to:

- (a) as soon as reasonably practicable to deliver to the substitute cash administrator all books of account, papers, records, registers, correspondence, computer stored data and documents in its possession or under its control relating to the affairs of or belongings of the Issuer (if practicable, on the date of receipt) any monies then held by the Cash Administrator on behalf of the Issuer and any other assets of the Issuer;
- (b) take such further action as the Issuer and/or the Note Trustee may reasonably direct, (provided that, the Note Trustee shall not be required to take or direct to be taken such further action unless it has been indemnified and/or secured and/or prefunded to its satisfaction); and
- (c) take such further action as the substitute cash administrator may reasonably request in order to enable such substitute cash administrator to perform its duties under the Cash Administration Agreement and co-operate and consult with and assist the substitute cash administrator for the purposes of explaining the file layouts and the format of the magnetic tapes or other media generally containing such computer records on the computer system of the Issuer or such nominee, as the case may be.

In no circumstances shall the Note Trustee be obliged to assume the obligations of the Cash Administrator.

Governing Law

The Cash Administration Agreement will be governed by English law.

Agency Agreement

Pursuant to an agency agreement to be entered into on or about the Closing Date (the "**Agency Agreement**") between the Issuer, the Note Trustee, the Principal Paying Agent, the Agent Bank and the Note Trustee, provision will be made for, amongst other things, payment of principal and interest in respect of the Notes.

The Agency Agreement will be governed by English law.

Liquidity Facility Agreement

Introduction

To address the risk of the Borrower or, as the case may be, the Original Guarantors failing to make payments on the Senior Loan in accordance with the terms of the Senior Facility Agreement when due, the Issuer will enter into a liquidity facility agreement (the "**Liquidity Facility Agreement**") to be dated on or about the Closing Date between the Liquidity Facility Provider, the Cash Administrator, the Note Trustee and the Issuer, whereby the Liquidity Facility Provider will provide to the Issuer, from the

Closing Date, a Sterling 364-day committed revolving Liquidity Facility of up to an initial aggregate principal amount of £23,000,000 (as reduced or cancelled from time to time under the Liquidity Facility Agreement) (the "**Liquidity Facility**") and which will be renewable as described below.

Prospective Noteholders should note that the purpose of the Liquidity Facility Agreement is to provide liquidity, not credit support, for each Class of Notes and that the Liquidity Facility Provider is entitled to receive interest on drawings made under the Liquidity Facility Agreement which could ultimately reduce the amount available for distribution to Noteholders. Furthermore, whilst the description contained herein is of the terms of the Liquidity Facility Agreement that will be entered into on the Closing Date, it is possible that in the future it will only be possible to renew or replace such Liquidity Facility Agreement on terms which differ from those described herein.

Drawings on the Liquidity Facility

On the Calculation Date prior to each Note Payment Date which falls within the Liquidity Facility Availability Period, the Cash Administrator will determine whether the Available Revenue Funds available on such Note Payment Date will be sufficient to make the payments set out under items (a) to (g) (inclusive) of the Issuer Pre-Enforcement Revenue Priority of Payments on such Note Payment Date. If such amounts are insufficient (such event being, a "**Liquidity Shortfall**"), the Cash Administrator (on behalf of the Issuer) will, subject to the provisions of the following paragraphs, make a drawing (a "**Liquidity Drawing**") in accordance with the terms of the Liquidity Facility Agreement in an amount equal to such calculated deficiency. Such Liquidity Drawing will be credited to the Issuer Transaction Account and will be applied by the Issuer together with the other Available Revenue Funds on the immediately succeeding Note Payment Date in accordance with the Issuer Pre-Enforcement Revenue Priority of Payments.

The Issuer will pay a commitment fee (the "**Liquidity Facility Commitment Fee**") of 1.50 per cent, per annum on the then undrawn portion of the Liquidity Facility to the Liquidity Facility Provider.

The interest rate on Liquidity Drawings will be the sum of LIBOR on the quotation date therefor plus 2.25 per cent, per annum of the then aggregate outstanding balance of Liquidity Drawings (plus the mandatory costs rate, calculated in accordance with the Liquidity Facility Agreement) (the "**Liquidity Facility Interest Rate**").

Interest will accrue on each Liquidity Drawing from the date of the drawing to, but excluding, the next succeeding Note Payment Date. The Issuer will be obliged to repay the outstanding balance of any Liquidity Drawings on each Note Payment Date in accordance with the Issuer Pre-Enforcement Revenue Priority of Payments. Amounts repaid may, subject to certain conditions, be redrawn.

Subject to certain exceptions as set out in the Liquidity Facility Agreement, if any monies are required to be withheld or deducted for or on account of Tax from any payment made by the Issuer to the Liquidity Facility Provider under the Liquidity Facility Agreement, the amount of payment due from the Issuer will in certain circumstances be increased to the extent necessary to ensure that, after such withholding or deduction has been made, the amount received by the Liquidity Facility Provider is equal to the amount that it would have received had no such withholding or deduction been required to be made. Such increased amounts will, as set out below, be Liquidity Facility Subordinated Amounts and, in such circumstances, will rank junior to payments due and payable under the Notes in accordance with the Issuer Pre-Enforcement Revenue Priority of Payments.

All payments due under the Liquidity Facility Agreement (other than in respect of any Liquidity Facility Subordinated Amounts) will rank in point of priority ahead of payments of interest on the Notes.

Availability of the Liquidity Facility to Fund Liquidity Shortfalls

In respect of a Liquidity Shortfall, the Cash Administrator shall determine the amount of the relevant Liquidity Shortfall on the relevant Calculation Date and shall determine the Available Liquidity Facility.

The Issuer may make a Liquidity Drawing in an amount corresponding to the Available Liquidity Facility.

At no time may a Liquidity Drawing be made on the Liquidity Facility which is greater than the Available Liquidity Facility.

"**Available Liquidity Facility**" means, in respect of any Note Payment Date, the Liquidity Facility Amount less the aggregate of outstanding Liquidity Drawings after taking account of the amount of Available Revenue Funds which will be applied at item (d) of the Issuer Pre-Enforcement Revenue Priority of Payments to repay the outstanding Liquidity Drawing or, if a Liquidity Stand-by Loan is outstanding, zero.

"**Liquidity Stand-by Loan**" means, at any time, the Liquidity Stand-by Drawing or, as the case may be, the principal amount thereof for the time being outstanding;

Reduction in the Amount Available Under the Liquidity Facility

In accordance with the terms of the Liquidity Facility Agreement, upon the aggregate Principal Amount Outstanding of the Notes being reduced in accordance with Condition 7(b) (*Mandatory Redemption from Available Principal Funds*), the amount available under the Liquidity Facility Agreement will reduce by an amount equal to the product of (i) X/Y and (ii) the Available Liquidity Facility or Liquidity Stand-by Loan (as relevant), where "X" equals the amount by which the Principal Amount Outstanding of the Notes is reduced on the relevant Note Payment Date in accordance with Condition 7(b) (*Mandatory Redemption from Available Principal Funds*); and "Y" equals the Principal Amount Outstanding of the Notes on the relevant Note Payment Date immediately prior to the application of Principal Collections in accordance with Condition 7(b) (*Mandatory Redemption from Available Principal Funds*), in each case as notified to the Issuer by the Cash Administrator (the "**Liquidity Facility Prepayment Discount**").

Liquidity Events and Liquidity Stand-by Drawings

The Liquidity Facility Agreement will provide that, if:

- (a) the Issuer and the Liquidity Facility Provider fail to renew the commitment of the Liquidity Facility (a "**Liquidity Facility Provider Non-Renewal Event**"); and/or
- (b) the Liquidity Facility Provider's unsecured, unsubordinated and unguaranteed debt obligations cease to be rated at least the Liquidity Requisite Rating (a "**Liquidity Downgrade Event**")

each such event is a "**Liquidity Event**". Upon the occurrence of a Liquidity Downgrade Event, the Liquidity Facility Provider is required, within twenty-nine (29) calendar days (the "**Cure Period**"), to use reasonable endeavours to find a replacement liquidity facility provider that has at least the Liquidity Requisite Rating and meets certain other criteria.

The Issuer (or the Cash Administrator on its behalf) shall make a drawing (a "**Liquidity Stand-by Drawing**") to a designated bank account of the Issuer (the "**Liquidity Stand-by Account**"): (a) following the occurrence of a Liquidity Facility Provider Non-Renewal Event; and (b) following the occurrence of a Liquidity Downgrade Event if the Liquidity Facility Provider has not found a replacement Liquidity Facility Provider within the Cure Period, within thirty (30) calendar days of the occurrence of the Liquidity Downgrade Event, subject to the satisfaction of certain conditions.

The Liquidity Stand-by Account shall be maintained with either:

- (a) the Liquidity Facility Provider (for so long as it has the Liquidity Requisite Rating); or
- (b) where the Liquidity Facility Provider does not have the Liquidity Requisite Rating, the then Issuer Account Bank or any other bank with the Liquidity Requisite Rating and which is a bank for the purposes of Section 879 of the Income Tax Act 2007.

The commitment fee applicable to a Liquidity Stand-by Drawing as a result of the non-renewal by the Liquidity Facility Provider of the commitment of the Liquidity Facility (as described in subparagraph (a) above) or the Liquidity Facility Provider ceasing to maintain the Liquidity Requisite Rating (as described in subparagraph (b) above) shall equal 2.25 per cent, per annum of the then aggregate Liquidity Stand-by Drawing advanced and shall rank in point of priority ahead of payments of interest of the Notes.

If the Liquidity Stand-by Account is opened with the Liquidity Facility Provider, the Liquidity Facility Provider shall pay interest on the funds standing to the credit of the Liquidity Stand-by Account (the "**Liquidity Stand-by Deposit**") at the normal commercial rate in the ordinary course of its business.

If the Liquidity Stand-by Account is not with the Liquidity Facility Provider, each of the Issuer and the Cash Administrator is under an obligation to use reasonable endeavours to ensure that the interest rate on the Liquidity Stand-by Deposit is at an arm's length commercial rate and that any interest which accrues on the Liquidity Stand-by Deposit will be paid into the Liquidity Stand-by Account.

Payments of interest on funds standing to the credit of the Liquidity Stand-by Account and, together with the Liquidity Stand-by Deposit and the Liquidity Stand-by Account, will not, in accordance with the terms of the Deed of Charge be available to the Issuer Secured Parties and payments of interest on funds standing to the credit of the Liquidity Stand-by Account will be made available upon request to the Liquidity Facility Provider in accordance with the terms of the Liquidity Facility Agreement.

Amounts standing to the credit of the Liquidity Stand-by Account which represent a Liquidity Stand-by Deposit, will, subject to the terms of the Liquidity Facility Agreement (including the conditions described above as to availability of drawings), be available to the Issuer by way of Liquidity Drawings in the event of there being a Liquidity Shortfall. The interest rate on such a Liquidity Drawing will be the Liquidity Facility Interest Rate and such Liquidity Facility Interest Rate will accrue interest and be repayable as described above, except that, until the Liquidity Facility Provider is replaced or the Liquidity Event that gave rise to the Liquidity Stand-by Drawing is remedied, repayment will be made into the relevant Liquidity Stand-by Account.

Any costs incurred in obtaining a replacement Liquidity Facility or in obtaining the Liquidity Facility will be borne by the outgoing Liquidity Facility Provider.

The Liquidity Facility Agreement contains certain events of default such as the insolvency of the Issuer and failure to pay amounts due and payable to the Liquidity Facility Provider. Following the occurrence of any such event of default any undrawn commitment under the Liquidity Facility shall be cancelled and all amounts outstanding may become immediately due and payable.

"Liquidity Facility Availability Period" means the period commencing on and including the Liquidity Facility Commencement Date and ending on the day which is 364 days after the Liquidity Facility Commencement Date or such other day which may be the last day of any new Liquidity Facility Availability Period agreed under the Liquidity Facility Agreement

"Liquidity Facility Commencement Date" means the Closing Date or such other date specified as such in a Liquidity Facility Renewal Letter.

"Liquidity Facility Renewal Letter" means a letter delivered under the terms of the Liquidity Facility Agreement in the format set out therein;

"Liquidity Facility Termination Date" means the final date in relation to any Liquidity Facility Availability Period.

Liquidity Facility Subordinated Amounts

To the extent that amounts payable by the Issuer to the Liquidity Facility Provider pursuant to the terms of the Liquidity Facility Agreement (i) are in respect of increased costs; or (ii) represent additional amounts payable due to a requirement to withhold or deduct an amount for or on account of Tax from a payment, then such amounts shall be **"Liquidity Facility Subordinated Amounts"** and will, in accordance with the Issuer Payment Priorities, rank junior to payments then due and payable under the Notes.

Governing law

The Liquidity Facility Agreement will be governed by English Law.

Incorporated Terms Memorandum

On or prior to the Closing Date, each of the Issuer, the Borrower, Issuer HoldCo, the Guarantors, the Note Trustee, the Borrower Security Trustee, the Issuer Account Bank, the Liquidity Facility Provider, the Cash Administrator, the Servicer, the Special Servicer, the Agent Bank, the Paying Agents, the Corporate Services Provider, and the Senior Agent will, amongst others, sign a master definitions and construction schedule (the **"Incorporated Terms Memorandum"**) incorporating the definitions and common terms of

construction applicable to each of the Issuer Transaction Documents (where not otherwise defined therein).

Issuer Tax Deed of Covenant

On or prior to the Closing Date, each of the Issuer, Issuer HoldCo, Issuer HoldCo Share Trustee and the Note Trustee will enter into a tax deed of covenant (the "**Issuer Tax Deed of Covenant**"), with the primary objective that the Issuer is and remains subject to UK corporation tax as a securitisation company under the Taxation of Securitisation Companies Regulations SI 2006/3296.

Under the Issuer Tax Deed of Covenant, *inter alia*:

- (a) each of the Issuer and Issuer HoldCo make certain representations, warranties and covenants in favour of the Note Trustee in relation to its tax affairs; and
- (b) Issuer HoldCo Share Trustee, in its capacity as trustee under the terms of the Issuer HoldCo Share Trust Deed, makes certain representations, warranties and covenants in favour of the Issuer and the Note Trustee in relation to its holding of shares in Issuer HoldCo.

The Issuer Tax Deed of Covenant is governed by, and is to be construed in accordance with, English law.

"Issuer HoldCo Share Trust Deed" means the trust deed, established under English law, under which the Issuer HoldCo Share Trustee holds its shares in Issuer HoldCo.

"Issuer HoldCo Share Trustee" means SFM Corporate Services Limited, a company registered in England and Wales with registered number 03920255, or such other entity or entities appointed as share trustee to Issuer HoldCo from time to time, subject to and in accordance with the terms of the Issuer HoldCo Share Trust Deed.

THE ISSUER

The Issuer was incorporated in England and Wales on 3 February 2012 (registered number 7934515) and is a public limited company under the Companies Act 2006 (as amended). The name of the Issuer was changed to Isobel Finance No. 1 Plc on 11 April 2012. The registered office of the Issuer is at 35 Great St. Helen's, London EC3A 6AP. The telephone number of the Issuer's registered office is +44 (0) 207 398 6300.

The issued share capital of the Issuer comprises 50,000 ordinary shares of £1 each, 49,999 shares of which are partly paid to £0.25 each and 1 of which is fully paid and all of which are owned by Issuer HoldCo (see the section entitled "*Issuer HoldCo*" below). The rights of Issuer HoldCo as shareholder in the Issuer are contained in the articles of association of the Issuer and the Issuer will be managed in accordance with those articles and with the provisions of English law.

The Issuer was established as a special purpose vehicle for the purposes of issuing the Notes. The Issuer has no subsidiaries. The Sellers do not own directly or indirectly any of the share capital of Issuer HoldCo or the Issuer.

The Issuer has not engaged, since its incorporation, in any material activities nor commenced operations other than those incidental to its registration as a public company under the Companies Act 2006 (as amended) and to the proposed issue of the Notes and the authorisation of the other Transaction Documents referred to in this Prospectus to which it is or will be a party and other matters which are incidental or ancillary to the foregoing. Save as disclosed in this Prospectus, the Issuer has no loan capital, borrowings or material contingent liabilities (including guarantees) as at the date of this Prospectus. The Issuer has no employees.

Directors and secretary

The following table sets out the directors of the Issuer and their respective business addresses and occupations.

<u>Name</u>	<u>Business address</u>	<u>Business Occupation</u>
SFM Directors Limited.....	35 Great St. Helen's, London EC3A 6AP	Corporate Director
SFM Directors (No.2) Limited.....	35 Great St. Helen's, London EC3A 6AP	Corporate Director
J-P Nowacki.....	35 Great St. Helen's, London EC3A 6AP	Director

* The directors of each of SFM Directors Limited and SFM Directors (No. 2) Limited and their principal activities are as follows:

<u>Name</u>	<u>Business address</u>	<u>Principal activities/business occupation</u>
Jonathan Keighley	35 Great St. Helen's, London EC3A 6AP	Director
Robert Berry	35 Great St. Helen's, London EC3A 6AP	Director
Jocelyn Coad.....	35 Great St. Helen's, London EC3A 6AP	Director
Helena Whitaker.....	35 Great St. Helen's, London EC3A 6AP	Director
J-P Nowacki.....	35 Great St. Helen's, London EC3A 6AP	Director
Claudia Wallace.....	35 Great St. Helen's, London EC3A 6AP	Director
Vinoy Nursiah.....	35 Great St. Helen's, London EC3A 6AP	Director

* The company secretary of the Issuer is SFM Corporate Services Limited, whose principal office is at 35 Great St. Helen's, London EC3A 6AP

No potential conflicts of interest exist between the directors of the Issuer and their duties to the Issuer and their private interests and other duties.

Corporate Services Agreement

The Issuer, the Corporate Services Provider, Issuer HoldCo, the Issuer HoldCo Share Trustee and the Note Trustee will enter into a corporate services agreement (the "**Corporate Services Agreement**") on or about the Closing Date pursuant to which the Corporate Services Provider will agree to provide certain administrative, accounting and tax services and such other additional services as required to the Issuer and Issuer HoldCo. The Corporate Services Provider will be entitled to receive an annual fee from the Issuer at rates agreed upon from time to time for the provision of such services.

Pursuant to the terms of the Corporate Services Agreement, the Issuer (with the prior written consent of the Note Trustee) or the Note Trustee may, upon an event of default by the Corporate Services Provider, at any time by notice in writing to the Corporate Services Provider, with effect from a date not earlier than thirty (30) days from the date of such notice, terminate the Corporate Services Provider's appointment.

Events of default in respect of the Corporate Services Provider include, amongst other things: (i) a default in the performance of any of the Corporate Services Provider's covenants or obligations pursuant to the terms of the Corporate Services Agreement which is not capable of remedy or which is capable of remedy but not remedied within the relevant grace period; and (ii) the occurrence of certain insolvency related events in relation to the Corporate Services Provider.

In addition, the Corporate Services Provider may resign by giving at least ninety (90) days notice to the Issuer and the Note Trustee.

Regardless of the reason, the termination of the appointment of the Corporate Services Provider will not take effect until a successor corporate services provider has been appointed in its place.

On and after termination or resignation of its appointment, the Corporate Services Provider is required to deliver all books of account, records, registers, correspondence and all documents relating to the affairs of, or belonging to, the Issuer and held by the Corporate Services Provider in relation to its appointment to the successor corporate services provider.

In no circumstances shall the Note Trustee be obliged to assume the obligations of the Corporate Services Provider.

The Corporate Services Agreement will be governed by English law.

Financial Statements

As at the date of this Prospectus, no statutory accounts have been prepared or delivered to the Registrar of Companies on behalf of the Issuer. The accounting reference date of the Issuer is 31 December and the first statutory accounts of the Issuer will be drawn up to 31 December 2012.

The auditors of the Issuer are Deloitte LLP acting through its office at Hill House, 1 Little New Street, London, EC4A 3TR, who are chartered accountants and registered auditors qualified to practise in England and Wales. Deloitte LLP is a member of the Institute of Chartered Accountants in England and Wales.

ISSUER HOLDCO

Issuer HoldCo

Issuer HoldCo was incorporated in England and Wales on 7 December 2011 (registered number 7874077) as a private limited company under the Companies Act 2006 (as amended). The name of Issuer HoldCo was changed to Isobel Finance HoldCo No. 1 Limited on 3 April 2012. The registered office of Issuer HoldCo is 35 Great St. Helen's, London EC3A 6AP. The telephone number of Issuer HoldCo's registered office is +44 (0) 207 398 6300.

The issued share capital of Issuer HoldCo comprises one ordinary share of £1.

The entire beneficial interest in the share of Issuer HoldCo is beneficially owned by SFM Corporate Services Limited (the "**Issuer HoldCo Share Trustee**") on trust under a discretionary trust.

Issuer HoldCo holds the entire issued share capital of the Issuer.

The Seller does not own directly or indirectly any of the share capital of Issuer HoldCo and neither the Seller nor any company connected with the Seller can direct the Issuer HoldCo Share Trustee and none of such companies has any control, direct or indirect, over Issuer HoldCo or the Issuer or any other similar vehicle.

Issuer HoldCo has not engaged in any other activities since its incorporation other than the purchase and subscription for shares in the Issuer and entry into the capitalisation documents in respect of the Issuer. Issuer HoldCo has authorised and entered into a term loan in order to capitalise the Issuer. Issuer HoldCo has no employees.

Directors

The directors of Issuer HoldCo and their respective business addresses and occupations are:

<u>Name</u>	<u>Business Address</u>	<u>Business Occupation</u>
SFM Directors Limited.....	35 Great St. Helen's, London EC3A 6AP	Corporate Director
SFM Directors (No.2) Limited.....	35 Great St. Helen's, London EC3A 6AP	Corporate Director
J-P Nowacki.....	35 Great St. Helen's, London EC3A 6AP	Director

The directors of SFM Directors Limited and SFM Directors (No. 2) Limited and their respective occupations are:

<u>Name</u>	<u>Business Address</u>	<u>Business Occupation</u>
Jonathan Keighley	35 Great St. Helen's, London EC3A 6AP	Director
Robert Berry	35 Great St. Helen's, London EC3A 6AP	Director
Jocelyn Coad.....	35 Great St. Helen's, London EC3A 6AP	Director
Helena Whitaker	35 Great St. Helen's, London EC3A 6AP	Director
J-P Nowacki.....	35 Great St. Helen's, London EC3A 6AP	Director
Claudia Wallace.....	35 Great St. Helen's, London EC3A 6AP	Director
Vinoy Nursiah.....	35 Great St. Helen's, London EC3A 6AP	Director

The company secretary of Issuer HoldCo is SFM Corporate Services Limited whose registered office is at 35 Great St. Helens, London EC3A 6AP.

The accounting reference date of Issuer HoldCo is 31 December.

Issuer HoldCo has no employees.

OBLIGORS

ISOBEL ASSETCO LIMITED ("THE BORROWER")

The Borrower was incorporated in England and Wales on 19 October 2011 (registered number 7815679) as a private limited company under the Companies Act 2006 (as amended). The registered office of the Borrower is 40 Berkeley Square, London W1J 5AL. The telephone number of the Borrower's registered office is +44 (0)20 74514000.

The issued share capital of the Borrower comprises two ordinary shares of £1.00.

The share capital of the Borrower is directly owned by Intermediate HoldCo. The rights of Intermediate HoldCo as shareholder in the Borrower are contained in the articles of association of the Borrower and the Borrower will be managed in accordance with those articles and with the provisions of English law.

RBS indirectly owns 74.99 per cent. of the share capital of the Borrower and Isobel Holdings S.à r.l. indirectly owns 25.01 per cent. of the share capital of the Borrower.

The Borrower was formed as an indirect subsidiary of Isobel HoldCo Limited to act as a company whose business, apart from any incidental activities, consists of acquiring, holding and managing "**financial assets**" (as defined for the purposes of the TSC Regulations).

The Borrower has not engaged in any other activities since its incorporation, other than entering into documents in connection with the acquisition of the Assets by the Borrower ("**Project Isobel**") and any related matters.

Directors

The directors of the Borrower and their respective business addresses and occupations are:

<u>Name</u>	<u>Business Address</u>	<u>Business Occupation</u>
Joseph Pedlow	The Blackstone Group, 40 Berkeley Square, London W1J 5AL	Director
SFM Directors Limited.....	35 Great St. Helen's, London EC3A 6AP	Corporate Director

No potential conflicts of interest exist between the directors of the Borrower and their duties to the Borrower and their private interests and other duties.

The Borrower does not have a company secretary.

The Borrower has no employees.

Financial Statements

The accounting reference date of the Borrower is 31 December.

The auditors of the Borrower are Deloitte LLP acting through its office at Hill House, 1 Little New Street, London, EC4A 3TR, who are chartered accountants and registered auditors qualified to practise in England and Wales. Deloitte LLP is a member of the Institute of Chartered Accountants in England and Wales.

The preparation of an auditor report of the Borrower (the "**Auditor Report**") was first instigated by The Royal Bank of Scotland plc in its capacity as Seller in February 2012 in connection with the then anticipated securitisation transaction. However, Deloitte was formally engaged to prepare the Auditor Report by the Borrower and the Auditor Report was prepared solely for the benefit of the Borrower. The Issuer does not have reliance on the Auditor Report.

Deloitte LLP has given and has not withdrawn its written consent to the inclusion of references to its Auditor Report in this Prospectus with the inclusion therein of its name in the form and context in which such references appear and has also given and not withdrawn its written consent to the inclusion of the abridged version of the Auditor Report in the form and content in which it is included below.

Independent Auditor Report and Financial Statements

Independent auditor's report to the members of Isobel Assetco Limited

We have audited the non-statutory financial statements of Isobel Assetco Limited and its subsidiaries (the "Company") for the period ended 12 January 2012 which comprise the balance sheet and the cash flow statement and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's director in accordance with our engagement letter dated 28 June 2012 and solely for the purpose of inclusion within the offering memorandum under the rules and regulations of the Irish Stock Exchange for the proposed offering of senior secured notes by Isobel Assetco Limited (the "Offering Memorandum"). Our audit work has been undertaken so that we might state to the Company's directors those matters we are required to state to them in an independent auditor's report and for no other purpose. To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the Company or the Company's director, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of director and auditor

The director's responsibilities for preparing the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit and express opinion on the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 12 January 2012 and of its result for the period ended; and
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Deloitte LLP
Chartered Accountants
London

26 September 2012

ISOBEL ASSETCO LIMITED

Balance Sheet As at 12 January 2012

	Notes	12 January 2012
		<i>£000</i>
Non-current assets		
Loans.....		869,301
Total non-current assets.....		869,301
Current assets		
Cash and cash equivalents.....	12	48,208
Total current assets		48,208
Total assets		917,509
Current liabilities		
Trade and other payables.....	9	10,649
Total current liabilities		10,649
Net current assets		37,559
Total non-current liabilities		
Borrowings.....	8	860,860
Other liabilities.....	10	46,000
Total non-current liabilities		906,860
Total liabilities		917,509
Net assets		—
Shareholder equity		
Share capital.....	11	—
Retained earnings.....		—
Total shareholder equity		—

The non-statutory financial statements were approved by the sole director and authorised for issue on 24 September 2012 and were signed on its behalf by:

Joe Pedlow
Director

Cash flow statement For the period from 19 October 2011 to 12 January 2012

	Notes	19 October 2011 to 12 January 2012
		<i>£000</i>
Net cash from operating activities		—
Investing activities		
Loans acquired.....		(823,230)
Net cash used for investing activities.....		(823,230)
Financing activities		
Increase in Loans.....		881,120
Borrowing costs paid.....		(9,682)
Net cash received from financing activities		871,438
Net increase in cash and cash equivalents		48,208
Cash and cash equivalents at 19 October 2011		—
Cash and cash equivalents at 12 January 2012	12	48,208

Notes to the consolidated financial statements For the period from 19 October 2011 to 12 January 2012

1. **General information**

Isobel Assetco Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the group's operations and its principal activities are set out in the Director's report on page 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates. Foreign operations are included in accordance with the policies set out in note 3.

This report is a non-statutory report of Isobel Assetco Limited. No statutory accounts have been prepared to date for Isobel Assetco Limited and the first statutory accounts will be prepared for the period from incorporation to 31 December 2012.

2. **Adoption of new and revised standards**

These are the first financial statements prepared for the Company and so all Standards and Interpretations adopted are effective new.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 1 (amended)	<i>Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
IFRS 7 (amended)	<i>Disclosures – Transfers of Financial Assets</i>
IFRS 9	<i>Financial Instruments</i>
IFRS 10	<i>Consolidated Financial Statements</i>
IFRS 11	<i>Joint Arrangements</i>
IFRS 12	<i>Disclosure of Interests in Other Entities</i>
IFRS 13	<i>Fair Value Measurement</i>
IAS 1 (amended)	<i>Presentation of Items of Other Comprehensive Income</i>
IAS 12 (amended)	<i>Deferred Tax: Recovery of Underlying Assets</i>
IAS 19 (revised)	<i>Employee Benefits</i>
IAS 27 (revised)	<i>Separate Financial Statements</i>
IAS 28 (revised)	<i>Investments in Associates and Joint Ventures</i>
IFRIC 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>

The director does not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Company in future periods, except as follows:

- IFRS 9 will impact both the measurement and disclosures of Financial Instruments; and
- IFRS 13 will impact the measurement of fair value for certain assets and liabilities as well as the associated disclosures.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

3. **Significant accounting policies**

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Company financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

Going concern

The director has, at the time of approving the financial statements, a reasonable expectation that the Company and the RBS Group, whom are the ultimate holding company, have adequate resources to continue in operational existence for the foreseeable future. Thus he continues to adopt the going concern basis of accounting in preparing the financial statements.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Interest revenue

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in

accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the income statement.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the income statement.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the director is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Recoverability of loan assets

The timing and size of the recoverability of each loan asset will impact both the potential need for provisions as well as the unwinding of the discount on the loan. The loan assets were acquired on 12 January 2012 with an acquisition price of £869.3 million. Management consider that the carrying values of the loan as reflected in the acquisition price are appropriate and a market reflection of the fair value of these assets.

Deferred Consideration Liability

The beneficiaries of the Deferred Consideration Liability (Note 10) are entitled to certain profits accrued after the payment of the interest and principal of the senior and junior loans. The director has valued the liability using an appropriate discount rate applied against expected future cash flows.

5. **Auditor's remuneration**

No auditor remuneration was recorded in the period from incorporation to the Balance Sheet date. The costs associated with the audit of this set of non-statutory financial statements will be included in the first full set of statutory accounts for the Company, being from incorporation to 31 December 2012.

6. **Staff costs**

The Company does not have any employees. Blackstone Real Estate Special Situations Advisors (Isobel) LLC ("**Manager**") has been appointed Manager of the Company. The Company pays the Manager a quarterly fee in arrears based on 0.3% per annum of the par value of the loan assets held by the Company at the start of each quarter. The first fee became payable on 31 March 2012.

The Manager has entered into a sub-adviser arrangement with Blackstone Real Estate Debt Advisors UK Limited ("**BREDA**") who employs the staff who assist in managing the Company on a day-to-day basis.

7. **Dividends**

The Director does not recommend the payment of a dividend for the period.

8. **Borrowings**

	<u>12 January 2012</u>
	<i>£000</i>
Senior Loan – RBS	553,272
Junior Loan – RBS	245,879
Junior Loan – BX	81,959
Amortised borrowing costs	(20,250)
Total borrowings	<u><u>860,860</u></u>

All borrowings are denominated in Sterling.

All loan facilities were taken out on 12 January 2012 and so no interest accrued in the period. In addition all loan facilities are fully drawn.

The senior loan facility lender is The Royal Bank of Scotland plc ("**RBS**") and has a maturity date of 10 January 2016. The loan interest payable is 4.5% plus LIBOR.

The junior loan facility lenders are RBS and Isobel Holdings SarL, a subsidiary of a Blackstone managed fund ("**BX fund**"). The junior facility has a maturity date of 10 April 2036 and has a fixed interest rate of 8%.

9. **Trade and other payables**

	<u>12 January 2012</u>
	<i>£000</i>
Borrowing costs payable	10,649
Total trade and other payables	<u><u>10,649</u></u>

10. **Other Liabilities**

	<u>12 January 2012</u>
	<i>£000</i>
Ordinary deferred consideration (ODC) and Special deferred consideration (SDC) liability	46,000
Total Other Liabilities	<u><u>46,000</u></u>

The Ordinary Deferred Consideration and Special Deferred Consideration liability (ODC) arose from the acquisition of the loans from RBS plc, Natwest plc and RBS International Limited on 12 January 2012.

The beneficiaries of the ODC and SDC are entitled to certain profits accrued after the payment of the interest and principal of the senior and junior loans. No payment will occur within the next 12 months so the entire balance is considered non-current.

11. **Share capital**

	<u>12 January 2012</u>
	£
Authorised, issued and fully paid.....	2
2 share of £1	—
Total Authorised, issued and fully paid share capital	<u>2</u>
	£
Opening balance - 19 October 2011	—
Consideration on acquisition - 12 January 2011	2
Closing balance - 12 January 2012	<u>2</u>

The Company has one class of ordinary shares which carry no right to fixed income.

12. **Cash and cash equivalents**

	<u>12 January 2012</u>
	£000
Cash and bank balances.....	48,208
Total cash and cash equivalents	<u>48,208</u>

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

13. **Events after the balance sheet date**

Since the end of the period, the Director of the Company is not aware of any other matter or circumstance not otherwise dealt with in financial report or the director's report that has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Group in financial years subsequent to the period ended 12 January 2012.

14. **Related party transactions**

On 1 December 2008, the UK Government through HM Treasury became the ultimate controlling party of The Royal Bank of Scotland Group plc. The UK Government's shareholding is managed by UK Financial Investments Limited, a Company wholly owned by the UK Government. As a result, the UK Government and UK Government controlled bodies are related parties of the Company.

The Company's ultimate holding company is The Royal Bank of Scotland Group plc which is incorporated in the United Kingdom and registered in Scotland. Its immediate parent company is National Westminster Bank Plc which is incorporated in the United Kingdom and registered in England and Wales.

The Royal Bank of Scotland Group plc heads the largest group in which the Company is consolidated and The Royal Bank of Scotland plc heads the smallest group in which the Company is consolidated. Copies of the consolidated accounts of both companies may be obtained from The Secretary, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

The following table represents a summary of transactions that occurred during the reported period with other companies within The Royal Bank of Scotland Group plc:

	<i>£000</i>
Purchase of Loan Assets from:	
RBS plc.....	626,091
Natwest plc.....	192,105
RBS International Limited.....	51,105
	<u>869,301</u>

The following amounts were outstanding at the balance sheet date.

	Note	12 January 2012
		<i>£000</i>
Senior Loan – RBS.....	8	553,272
Junior Loan – RBS.....	8	245,879
Junior Loan – Isobel Holdings S.à r.l.....	8	81,959
		<u>881,110</u>
Ordinary deferred consideration liability – RBS.....	10	34,500
Ordinary deferred and Special deferred consideration liability – Isobel Holdings S.à r.l ...	10	11,500
		<u>46,000</u>

15. Financial instruments

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of net debt, which includes the borrowings disclosed in note 8 after deducting cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital as disclosed in note 11.

The Company is not subject to any externally imposed capital requirements.

Financial risk management objectives

The Company monitors and manages financial risks relating to the operations of the Company. These risks include market risk (including foreign currency exchange risk, fair value interest rate risk and price risk), credit risk, and liquidity risk.

The Company is not currently exposed to any risk associated with price movements of equities. With regard to foreign currency risk, the Company will occasionally pay suppliers in foreign currency per the terms of any contract but has no other foreign currency exposure. At the balance sheet date there was no foreign currency exposure.

Market risk

The Company's activities expose it primarily to the financial risks of changes in interest rates. The Group may enter into derivative financial instruments to manage its exposure to interest rate risk.

Interest rate risk

The Company is exposed to interest rate risk because it borrows funds at both fixed and floating interest rates as well as lending funds to third parties at floating rates. The mitigation against this risk is that exposure to floating interest rate received exceeds the exposure to floating interest paid.

While the Company has not taken out and has no immediate plans to take any interest rate swap contracts to fix interest rates, it will continue to monitor the situation and take the action it considers appropriate when necessary to protect the position of the Company.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Group's loan assets and associated receivables are secured against property assets except for a loan with a value of £55,100,000. This loan asset is secured against loan notes. The loans owned by the Company are a mixture of senior, junior and mezzanine funding reflecting a range of credit risk. The loans were acquired at a discount against par which reflect the range in creditworthiness of the company's counterparties as compared to the level of security, the loan to value ratios of the underlying counterparties plus market factors such as the effect of low margins.

The split between the different loan asset categories, including the accrued interest, is shown below:

	<u>12 January 2012</u>
	<i>£000</i>
Senior loan assets and receivables	648,027
Junior loan assets and receivables	123,315
Mezzanine loan assets and receivables	97,968
	<u><u>869,310</u></u>

Loans assets and associated interest receivables with a carrying value of £122.1 million are either past maturity or have interest receivable which is past due.

Apart from PPH 1 Ltd, the largest sole loan balance of the Company, the Company does not have a credit risk exposure of more than 10% to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities. PPH1 Ltd consisted of approximately 11.4% of the carrying value of the loan assets at the balance sheet date.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and by continuously monitoring forecast and actual cash flows.

There are no undrawn facilities currently available to the Company as both the senior and junior loans are fully committed. However, under the terms of the shareholder and other associated agreements, the Company has the ability to request additional loans from its shareholders and third parties as required.

The following table details the Company's remaining contractual maturity for its financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. However, under the terms of both the junior and senior loan facilities, as proceeds from the loan assets are recovered, a certain proportion of the proceeds are required to be used to repay these facilities. Given the timing of recoveries under the loan assets is uncertain and not guaranteed on maturity of those assets, no adjustments to the cash flows shown in the table below have been made for these repayments.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the balance sheet

date. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Note	Par value £000	Interest rate	0-1 year	2-5 years	More than 5 years	Total
Trade and other payables	9	10,649	nil	10,649		—	10,649
Senior loan	8	553,772	5.56%	30,748	645,515	—	676,262
Junior loan	8	327,838	8.00%	26,227	104,908	832,709	963,844
		<u>892,759</u>		<u>67,624</u>	<u>750,423</u>	<u>832,709</u>	<u>1,650,756</u>

Fair value of financial instruments

Fair value of financial instruments carried at amortised cost

The director considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Fair value of financial instruments held at fair value

None of the financial instruments held by the Company at the balance sheet are accounted for at fair value.

16. **Post Balance Sheet Event**

Since the balance sheet date, repayments of £119,452,688 on the loan principal have been received from the loan asset borrowers. Of this amount £48,413,075 was received as a full settlement on an individual loan.

ISOBEL INTERMEDIATE HOLDCO LIMITED ("INTERMEDIATE HOLDCO")

Intermediate HoldCo was incorporated in England and Wales on 18 October 2011 (registered number 7813209) as a private limited company under the Companies Act 2006 (as amended). The registered office of Intermediate HoldCo is 40 Berkeley Square, London W1J 5AL. The telephone number of Intermediate HoldCo's registered office is +44 (0)20 74514000.

The issued share capital of Intermediate HoldCo comprises 100 ordinary shares of £1.00.

The share capital of Intermediate HoldCo is directly owned by Isobel Mezzanine Borrower Limited.

RBS indirectly owns 74.99 per cent. of the share capital in Intermediate HoldCo and Isobel Holding S.à r.l. indirectly owns 25.01 per cent. of the share capital of Intermediate HoldCo.

Intermediate HoldCo was formed as a subsidiary of Isobel Mezzanine Borrower Limited as the intermediate holding company in the group of companies established in order to facilitate Project Isobel.

Intermediate HoldCo has not engaged in any other activities since its incorporation, other than entering into documents in connection with Project Isobel related matters.

Directors

The director of Intermediate HoldCo and his respective business address and occupation is:

<u>Name</u>	<u>Business Address</u>	<u>Business Occupation</u>
Joseph Pedlow	40 Berkeley Square, London W1J 5AL	Director

Intermediate HoldCo does not have a company secretary.

The accounting reference date of Intermediate HoldCo is 31 December.

Intermediate HoldCo has no employees.

ISOBEL EQUITYCO LIMITED ("EQUITYCO")

EquityCo was incorporated in England and Wales on 19 October 2011 (registered number 7816534) as a private limited company under the Companies Act 2006 (as amended). The registered office of EquityCo is 40 Berkeley Square, London W1J 5AL. The telephone number of EquityCo's registered office is +44 (0)20 74514000.

The issued share capital of EquityCo comprises two ordinary shares of £1.00.

The share capital of EquityCo is directly owned by Isobel Intermediate HoldCo.

RBS indirectly owns 74.99 per cent. of the share capital in EquityCo and Isobel Holding S.à r.l. indirectly owns 25.01 per cent. of the share capital of EquityCo.

EquityCo was established as a subsidiary of Intermediate HoldCo with the intention that it would acquire any Equity Residuals arising from the restructuring of any of the Property Loans prior to completion of the Asset Loan Sale Agreement. However, no such Equity Residuals arose at that stage and so the company currently remains dormant. It may in the future be utilised to fulfil other roles, including similar roles to that currently being carried on by Loan Capital Limited.

EquityCo has not engaged in any other activities since its incorporation, other than entering into documents in connection with Project Isobel related matters.

The directors of EquityCo and their respective business addresses and occupations are:

<u>Name</u>	<u>Business Address</u>	<u>Business Occupation</u>
Joseph Pedlow	40 Berkeley Square, London W1J 5AL	Director

EquityCo does not have a company secretary.

The accounting reference date of EquityCo is 31 December.

EquityCo has no employees.

ISOBEL LOAN CAPITAL LIMITED ("LOAN CAPITAL LIMITED")

Loan Capital Limited was incorporated in England and Wales on 19 October 2011 (registered number 7815722) as a private limited company under the Companies Act 2006 (as amended). The name of Isobel WorkoutCo No.1 Limited was changed to Isobel Loan Capital Limited on 29 November 2011. The registered office of Loan Capital Limited is 40 Berkeley Square, London W1J 5AL. The telephone number of Loan Capital Limited's registered office is +44 (0)20 74514000.

The issued share capital of Loan Capital Limited comprises two ordinary shares of £1.00.

The share capital of Loan Capital Limited is directly owned by Intermediate HoldCo.

RBS indirectly owns 74.99 per cent. of the share capital of Loan Capital Limited and Isobel Holding S.à r.l. indirectly owns 25.01 per cent. of the share capital of Loan Capital Limited.

Loan Capital Limited was established as a subsidiary of Intermediate HoldCo with the intention that it would acquire from the Borrower (either under the terms of the Conditional Asset Sale Agreement or otherwise) any Property Loan, or following a Credit Bid Restructuring Event in relation to that Property Loan the related New Property Loans, which may be subject to a restructuring that would give rise to the creation of Equity Residuals or certain other entitlements in favour of the lender. As at 9 August 2012, the Borrower has transferred (i) each of the Mapeley Property Loan, the Multi-Southgate Property Loan and the Empire Property Loan to Loan Capital Limited and (ii) certain Equity Residuals relating to the Beaucette Property Loan and the Pimlico Property Loan to Loan Capital Limited.

Loan Capital Limited has not engaged in any other activities since its incorporation, other than entering into documents in connection with the transaction contemplated in this Prospectus.

Directors

The director of Loan Capital Limited and his respective business address and occupation is:

<u>Name</u>	<u>Business Address</u>	<u>Business Occupation</u>
Joseph Pedlow	40 Berkeley Square, London W1J 5AL	Director
SFM Directors Limited	35 Great St. Helen's, London EC3A 6AP	Corporate Director

Loan Capital Limited does not have a company secretary.

The accounting reference date of Loan Capital Limited is 31 December.

Loan Capital Limited has no employees.

ISSUE OF THE NOTES

The issue of the Class A Notes, the Class B Notes, the Class C Notes is the Initial Consideration for: (i) the transfer of the Loan Sale Assets by RBS to the Issuer; (ii) and the payment by RBS to the Issuer of £4,000 to fund each Securitisation Obligor Loan; and (iii) the payment by RBS of the Issuer's costs of entering into the securitisation transaction under the Note Purchase Agreement. The Issuer shall also pay Deferred Consideration to RBS for the transfer of the Loan Sale Assets.

The fees and expenses in connection with the issue of the Notes will be met by the Seller.

ESTIMATED WEIGHTED AVERAGE LIVES OF THE NOTES AND ASSUMPTIONS

The estimated weighted average life figures set out herein should not be assumed to be a prediction of future performance. Actual performance is subject to factors largely or, in some cases (for example, general economic conditions), entirely outside the control of the Issuer. Consequently, no assurance can be given that the weighted average life estimates and the assumptions set out herein will prove in any way to be correct or realistic and they must therefore be viewed with considerable caution. No representation is made as to whether any of the matters described in the assumptions set out herein will or will not occur. See also "*Risk Factors*".

The weighted average life of any Class of Notes refers to the average amount of time that will elapse from the date of its issuance until all sums to be applied in redemption of the Principal Amount Outstanding of that Class of Notes are made to the related Noteholders.

The principal sources of funds for the payment of interest and the repayment of principal in respect of the Notes will be the Loan Sale Assets and, in particular, the Issuer's rights to payment of interest and repayment of principal under the Senior Loan, payments under which will in turn be dependent on the payment of interest and the repayment of principal received by the Borrower under the Property Loans.

The average lives of the Notes cannot, however, be predicted because, amongst other things, the actual rate at which the Senior Loan, the Property Loans and (if applicable) any New Property Loans will be repaid or prepaid and other related factors are unknown. Calculations of possible average lives of the Notes can, however, be made based on certain assumptions. Calculations of possible average weighted lives of the Notes are set out below for three different cash flow scenarios (each a "**Scenario**") based on the Scenario Inputs and Assumptions set out below.

Assumptions

The calculations of the weighted average life of the Notes for each Scenario are based on the following general and asset level assumptions (the "**Assumptions**"):

General Assumptions

- (a) the Closing Date is 3 October 2012;
- (b) the Senior Loan is not sold by the Issuer;
- (c) the Senior Loan does not default, is not prepaid (in whole or part), nor is it enforced and no loss arises;
- (d) that all monies received by the Issuer are applied in accordance with the Issuer Payment Priorities;
- (e) the interest accrual method for the Notes is Actual/365, being the actual number of days in the relevant period divided by 365;
- (f) the Interest Rate on the Notes is generated using the 3 month Libor forward curve for Sterling deposits extracted from Bloomberg on 12 January 2012;
- (g) the calculations assume that the expenses of the Issuer, the Borrower and the Asset Manager shall be standard expenses for this type of transaction as set out in the table entitled "*Assumed Expenses*" below;
- (h) the calculations assume that all of the Property Loans will be held by the Borrower (rather than any WorkoutCo) for the duration of the securitisation and that there will be no New Property Loans;
- (i) the Scenario Inputs have been applied to generate the different cash flows for each of Scenario 1, Scenario 2 and Scenario 3;

- (j) the Scenario Inputs have been applied to generate different repayment dates for each Property Loan in the Property Loan Portfolio, rather than the actual repayment dates set out in the contractual documentation for the Property Loans;

Asset Level Assumptions

- (a) all Property Loan profiles have been modelled based on the Property Loan information as at the Cut Off Date and any subsequent repayments as indicated in this Prospectus;
- (b) in respect of repayments under the Property Loans the Allocated Debt Amounts have been applied sequentially for all tranches for each Property Loan have been applied first to the Senior Loan and then the Junior Loan;
- (c) each Property Loan is assumed to default immediately upon breach of the relevant ICR Loan Default Trigger level set out in the Scenario Input table below;
- (d) LTV Loan Default Triggers set out in the Scenario Input table below are applied to Property Loans with no reported ICR as at the Cut Off Date in order to determine the default period;
- (e) where LTV Loan Default Triggers are applied to a Property Loan, the default period is determined by whether it is a Type 1 LTV Breach or a Type 2 LTV Breach, as described in the Scenario Input table below;
- (f) where a Property Loan is not in breach of any ICR Loan Default Trigger or LTV Loan Default Trigger, only the Loan Extension Trigger set out in the Scenario Input table below will be applied to determine the loan repayment period;
- (g) all triggers set out in the Scenario Inputs table are applied against Property Loan data recorded as at the Cut Off Date;
- (h) Loan Extension Triggers are applied against expected Property Loan balances at contractual maturity dates and DTZ Valuations as at the Cut Off Date;
- (i) where a Property Loan is extended under a Scenario, the Property Loan continues to perform but recovery amounts are calculated on the extended maturity date;
- (j) where Property Loans are not in breach of any of the triggers set out in the Scenario Inputs table below, they are assumed to pay interest on a timely basis and mature on the existing contractual dates;
- (k) where Property Loans are not in breach of any of the triggers set out in the Scenario Inputs table below, any contractually agreed amortisation schedules and/or additional draw-downs will be applied;
- (l) Property Loans with cash sweep mechanisms will amortise by the same amount as per the last interest payment date on each subsequent interest payment date until contractual maturity;
- (m) no assumptions are made for early or unscheduled repayments, prepayments or loan sales under the Property Loans;
- (n) recovery amounts for each Property Loan are based on valuations recorded as at the Cut Off Date; and
- (o) recovery amounts include projected swap breakage costs calculated on the Cut Off Date but applied on the Scenario repayment date for the Property Loan.

Assumed Expenses

1. Expenses senior to interest on the Senior Loan:

<u>Borrower Expenses</u>	<u>Percentage/Amount</u>
Borrower Expenses per annum (% of Property Loan Portfolio balance).....	0.075%
Annual Borrower Profit	£5,000

<u>Issuer Expenses</u>	<u>Percentage/Amount</u>
Senior Issuer + Junior Issuer Expenses per annum (% of Property Loan Portfolio balance).....	0.150%
Liquidity Facility Commitment Fee	1.500%

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3 and 4</u>	<u>Year 5+</u>
Annual Senior Issuer and Junior Issuer Profit.....	£22,000	£22,000	£2,400	£10,000

<u>Senior Asset Manager Expenses</u>	<u>Percentage</u>
Capped Senior Management Expenses per annum (% of Property Loan Portfolio balance)	0.340%

2. Expenses junior to interest on the Senior Loan:

<u>Total Asset Manager Expenses</u>	<u>Percentage</u>
Junior Management Fees + 3rd Party Costs per annum (% of Property Loan Portfolio balance)	0.260%
Fund Administration per annum (% of Senior Loan balance).....	0.020%

	<u>Year 1</u>	<u>Year 5+</u>
Overheads per annum	£2,000,000	£1,500,000

Scenario Inputs

The scenario inputs applied in respect of each of Scenarios 1, 2 and 3 (together, the "Scenario Inputs") are set out in the table below:

	Scenario 1 Inputs	Scenario 2 Inputs	Scenario 3 Inputs
Loan Default Trigger (ICR)	Loans with ICR less than 1.0x default immediately	Loans with ICR less than 1.05x default immediately	Loans with ICR less than 1.05x default immediately
Loan Default Trigger (Level 1 LTV)	Loans with no reported ICR as at the Cut Off Date and LTV greater than 100% default after 1 Year	Loans with no reported ICR as at the Cut Off Date and LTV greater than 95% default after 1 Year	Loans with reported ICR as at the Cut Off Date and LTV greater than 90% default after 1 Year
Loan Default Trigger (Level 2 LTV)	Loans with no reported ICR as at the Cut Off Date and LTV greater than 110% default immediately	Loans with no reported ICR as at the Cut Off Date and LTV greater than 110% default immediately	Loans with no reported ICR as at the Cut Off Date and LTV greater than 100% default immediately
Loan Extension Trigger (% LTV at Maturity)	Loans which have not defaulted but with LTV > 85% at maturity will extend	Loans which have not defaulted but with LTV > 80% at maturity will extend	Loans which have not defaulted but with LTV > 75% at maturity will extend
Loan Extension Period	1.25 Years after contractual maturity date	1.25 Years after contractual maturity date	1.50 Years after contractual maturity date
Loan Extension Margin	1.00% above current contractual margin	1.00% above current contractual margin	1.00% above current contractual margin
Loan Enforcement Period (Qtrs post default)	Enforcement process lasts for 6 quarters	Enforcement process lasts for 8 quarters	Enforcement process lasts for 10 quarters
Loan Enforcement Costs	5.00% of gross amounts recovered	5.00% of gross amounts recovered	5.00% of gross amounts recovered

Scenario Note Profiles and Weighted Average Life of the Notes

Based on the Assumptions set out above, the approximate percentage of the initial aggregate Principal Amount Outstanding of the Notes on each Note Payment Date (after application of any principal amounts on the relevant Note Payment Date) and the approximate weighted average lives of the Notes would be as follows:

Senior Loan IPD		10-Jul-12	10-Oct-12	10-Jan-13	10-Apr-13	10-Jul-13	10-Oct-13	10-Jan-14	10-Apr-14	10-Jul-14	10-Oct-14	10-Jan-15	10-Apr-15	10-Jul-15	10-Jul-15
Note IPD		3-Oct-12	17-Oct-12	17-Jan-13	17-Apr-13	17-Jul-13	17-Oct-13	17-Jan-14	17-Apr-14	17-Jul-14	17-Oct-14	17-Jan-15	17-Apr-15	17-Jul-15	17-Jul-15
Unit		£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s
Note Balances (Scenario - 1)	WAL														
Class A Notes	1.14	230,000	230,000	228,323	226,074	190,542	136,369	0	0	0	0	0	0	0	0
Class B Notes	1.29	60,000	60,000	60,000	60,000	60,000	60,000	0	0	0	0	0	0	0	0
Class C Notes	1.57	173,219	173,219	173,219	173,219	173,219	173,219	135,460	59,620	0	0	0	0	0	0

Senior Loan IPD		10-Jul-12	10-Oct-12	10-Jan-13	10-Apr-13	10-Jul-13	10-Oct-13	10-Jan-14	10-Apr-14	10-Jul-14	10-Oct-14	10-Jan-15	10-Apr-15	10-Jul-15	10-Jul-15
Note IPD		3-Oct-12	17-Oct-12	17-Jan-13	17-Apr-13	17-Jul-13	17-Oct-13	17-Jan-14	17-Apr-14	17-Jul-14	17-Oct-14	17-Jan-15	17-Apr-15	17-Jul-15	17-Jul-15
Unit		0	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s
Note Balances (Scenario - 2)	WAL														
Class A Notes	1.48	230,000	230,000	229,045	227,164	225,192	218,394	121,012	74,123	0	0	0	0	0	0
Class B Notes	1.79	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	0	0	0	0	0	0
Class C Notes	1.88	173,219	173,219	173,219	173,219	173,219	173,219	173,219	173,219	49,899	14,927	0	0	0	0

Senior Loan IPD		10-Jul-12	10-Oct-12	10-Jan-13	10-Apr-13	10-Jul-13	10-Oct-13	10-Jan-14	10-Apr-14	10-Jul-14	10-Oct-14	10-Jan-15	10-Apr-15	10-Jul-15	10-Jul-15
Note IPD		3-Oct-12	17-Oct-12	17-Jan-13	17-Apr-13	17-Jul-13	17-Oct-13	17-Jan-14	17-Apr-14	17-Jul-14	17-Oct-14	17-Jan-15	17-Apr-15	17-Jul-15	17-Jul-15
Unit		£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s
Note Balances (Scenario - 3)	WAL														
Class A Notes	1.83	230,000	230,000	229,045	227,164	225,192	225,192	219,550	120,830	120,475	46,435	0	0	0	0
Class B Notes	2.29	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	0	0	0	0
Class C Notes	2.38	173,219	173,219	173,219	173,219	173,219	173,219	173,219	173,219	173,219	173,219	61,856	0	0	0

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Each Class of Notes will initially be in the form of a Temporary Global Note without Coupons or Receipts which will be deposited on or around the Closing Date with a common depository for Clearstream, Luxembourg and Euroclear. Interests in each Temporary Global Note will be exchangeable in whole or in part for interests in a Permanent Global Note representing Notes of the same Class, without Coupons or Receipts, on a date not earlier than forty (40) days after the Closing Date (the "**Exchange Date**") upon certification as to non-U.S. beneficial ownership. No payments of principal, interest or any other amounts payable in respect of the Notes will be made under the Temporary Global Notes unless exchange for interests in the relevant Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Each Permanent Global Note will become exchangeable in whole, but not in part, for Definitive Notes in minimum denominations of £100,000 each and integral multiples of £1,000 in excess thereof, with Coupons for payments of interest, Receipts for payments of principal and Talons for further Coupons and Receipts attached, each at the request of the bearer of the relevant Permanent Global Note against presentation and surrender of such Permanent Global Note to the Principal Paying Agent if either of the following events (each, an "**Exchange Event**") occurs:

- (a) Clearstream, Luxembourg or Euroclear is closed for business for a continuous period of fourteen (14) days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no other clearing system acceptable to the Note Trustee is then in existence; or
- (b) by reason of a change in law (or in the application or official interpretation thereof) or any change in the practice of Clearstream, Luxembourg and/or Euroclear, which change becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any withholding or deduction from any payment in respect of the Notes for or on account of any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political sub-division thereof or authority thereof or therein having the power to tax, or the Issuer suffers or will suffer any other disadvantage as a result of such change, which withholding or deduction would not be required or other disadvantage would not be suffered (as the case may be) if the Notes were in definitive form.

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons, Receipts and Talons attached, in an aggregate principal amount equal to the principal amount of the relevant Permanent Global Note to the bearer of such Permanent Global Note against the surrender of such Permanent Global Note at the Specified Office of any Paying Agent within thirty (30) days of the occurrence of the relevant Exchange Event.

In addition, the Temporary Global Notes and the Permanent Global Notes will contain provisions which modify the Conditions as they apply to the Temporary Global Note and the Permanent Global Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of each Temporary Global Note and each Permanent Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the relevant Temporary Global Note or, as the case may be, the relevant Permanent Global Note at the Specified Office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes.

Notices: Notwithstanding Condition 18 (*Notices to Noteholders*), while: (i) all the Notes are represented by Permanent Global Notes (or by Permanent Global Notes and/or Temporary Global Notes) and the Permanent Global Notes (or each Permanent Global Note and/or each Temporary Global Note) are deposited with a common depository for Clearstream, Luxembourg and/or Euroclear; and (ii) so long as the Notes are listed on

the Irish Stock Exchange and the rules of the Irish Stock Exchange so permit, notices to Noteholders may be given by delivery of the relevant notice to Clearstream, Luxembourg and/or Euroclear, rather than by publication in accordance with Condition 18 (*Notices to Noteholders*). Such notices shall be deemed to have been given to the Noteholders in accordance with Condition 18 (*Notices to Noteholders*) on the date of delivery to Clearstream, Luxembourg and/or Euroclear.

Meeting:

The holder of a Global Note will be deemed to be two persons for the purpose of forming a quorum at a Meeting of Noteholders.

Purchase and Cancellations:

For so long as any Notes are represented by a Global Note, such Notes will be transferable in accordance with the rules and procedures for the time being of Clearstream, Luxembourg or Euroclear, as appropriate.

TERMS AND CONDITIONS OF THE NOTES

The following are the Conditions of the Notes in the form (subject to completion and amendment) in which they will be set out in the Note Trust Deed. The Conditions set out below will apply to the Notes whether they are in definitive form or in global form.

The £230,000,000 Class A Commercial Asset-Backed Floating Rate Notes due 2038 (such of them as are outstanding, the "**Class A Notes**"), the £60,000,000 Class B Commercial Asset-Backed Floating Rate Notes due 2038 (such of them as are outstanding, the "**Class B Notes**"), the £173,219,000 Class C Commercial Asset-Backed Floating Rate Notes due 2038 (such of them as are outstanding, the "**Class C Notes**" and, together with the Class A Notes and the Class B Notes, the "**Notes**") in each case of Isobel Finance No. 1 plc (the "**Issuer**") are constituted by a trust deed (the "**Note Trust Deed**", which expression includes such trust deed as from time to time modified or supplemented in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto, as from time to time so modified) dated on or about 3 October 2012 (or such later date as may be agreed between the Issuer and RBS as Arranger (the "**Arranger**") (the "**Closing Date**") and made between the Issuer and Deutsche Trustee Company Limited (in such capacity, the "**Note Trustee**", which expression includes its successors or any additional or other trustee appointed pursuant to the Note Trust Deed) as trustee for the Noteholders, the Couponholders and the Receiptholders.

Any reference to "**Notes**" in these terms and conditions (the "**Conditions**") shall include, in relation to the Notes, the Global Notes and the Definitive Notes. Any reference to "**Class**" in these terms and conditions shall be a reference to a Class of the Notes being Class A Notes, Class B Notes or the Class C Notes and "**Classes**" shall be construed accordingly.

The security for the Notes is created pursuant to, and on the terms set out in, a deed of charge (the "**Deed of Charge**", which expression includes such deed of charge as from time to time modified or supplemented in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto, as from time to time so modified) dated the Closing Date and made between the Issuer and the Note Trustee.

Pursuant to an agency agreement (the "**Agency Agreement**", which expression includes such agency agreement as from time to time modified or supplemented in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto, as from time to time so modified) dated the Closing Date and made between the Issuer, the Note Trustee, Deutsche Bank AG, London Branch as principal paying agent (the "**Principal Paying Agent**", which expression includes its successors and, together with any additional or other paying agents, if any, appointed from time to time in respect of the Notes pursuant to the Agency Agreement, the "**Paying Agents**") and Deutsche Bank AG, London Branch as agent bank (the "**Agent Bank**", which expression includes its successors and, together with the Paying Agents, the "**Agents**"), provision is made for, amongst other things, the payment of principal and interest in respect of the Notes of each Class.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Note Trust Deed, the Deed of Charge and the Agency Agreement.

Copies of the Issuer Transaction Documents, the memorandum and articles of association of each of the Issuer and the Borrower and the audited financial statements of the Borrower for the period 19 October 2011 to 12 January 2012 only are available for inspection by Noteholders from the date of this Prospectus in either physical or electronic format during normal business hours on any week day (excluding Saturdays, Sundays and public holidays) at the Specified Offices of the Principal Paying Agent and at the registered office of the Issuer. The Noteholders, the Couponholders and the Receiptholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Note Trust Deed, the Deed of Charge, the Agency Agreement and the other Issuer Transaction Documents.

The issue of the Notes was authorised by resolution of the board of directors of the Issuer passed on 6 August 2012.

1. **Definitions**

In these Conditions, the following defined terms have the meanings set out below:

"Additional Guarantor" means a company which becomes an Additional Guarantor in accordance with clause 28 (*Changes to the Obligors*) of the Senior Facility Agreement;

"Allocated Debt Amount" means (i) in respect of each Asset, the "Allocated Debt Amount" specified in Schedule 10 (*Allocated Debt Amounts and Release Prices*) of the Senior Facility Agreement, and (ii) in respect of each New Asset, from and after the occurrence of the applicable Credit Bid Restructuring Event, the "Allocated Debt Amount" specified in Schedule 10 (*Allocated Debt Amounts and Release Prices*) of the Senior Facility Agreement with respect to the Asset to which such New Asset relates and which was the subject of such Credit Bid Restructuring Event, it being acknowledged and agreed by the Senior Lender and the Obligors that to the extent that any Asset Residual Value remains with respect to an Asset following the occurrence of a Credit Bid Restructuring Event, no portion of the Allocated Debt Amount shall be attributable to such Asset Residual Value and such Asset Residual Value's Allocated Debt Amount shall be £0.

"Ancillary Rights" means in relation to an Interest, all ancillary rights, accretions and supplements to such Interest, including any guarantees or indemnities in respect of such Interest;

"Asset" means each Property Loan and related Ancillary Rights, as may be amended, varied, limited, supplemented, restated and/or replaced from time to time;

"Asset Level Obligor" means any obligor (howsoever described) and including any borrower, guarantor or third party security provider under any Asset Level Finance Document

"Asset Level Property" means any of the underlying real estate asset rights which were acquired by the Borrower from the Asset Sellers;

"Asset Loan Sale Agreement" means the agreement designated as such dated 12 December 2011 as amended on 12 January 2012 and entered into between the Asset Sellers and the Borrower;

"Asset Manager" means Blackstone Real Estate Special Situations Advisors (Isobel) L.L.C., in its capacity as manager under the Management Agreement, and includes any replacement manager;

"Asset Residual Value" means any residual value that remains with respect to an Asset to which a New Asset relates and which was the subject of a Credit Bid Restructuring Event.

"Asset Sellers" means RBS, National Westminster Bank plc and Royal Bank of Scotland International Limited;

"Asset WorkoutCo" means Loan Capital Limited and any other Asset WorkoutCo which is incorporated for the purposes of acquiring any Asset Level Property;

"Asset/REO Property Consideration Loan" means any further loan made by other lenders to the Borrower to enable the Borrower to on-lend to any WorkoutCo in order to fund the acquisition of an Asset Level Property or REO Property;

"Associated Affiliate" means in relation to any person (the **"First Person"**):

- (a) another person Controlled directly or indirectly by the First Person;
- (b) another person Controlling directly or indirectly the First Person; and
- (c) another person directly or indirectly under the Control of the person referred to in paragraph (b),

and **"Affiliated"** shall have the meaning given to the foregoing;

"Available Funds" means all amounts standing to the credit of the Issuer Transaction Account, including, for the avoidance of doubt, Available Principal Funds, and Available Revenue Funds;

"Available Revenue Funds" means, on any Note Payment Date, all amounts (as calculated at the immediately preceding Calculation Date) standing to the credit of the Issuer Transaction Account (other than Principal Collections) plus any amounts standing to the credit of the Issuer General Reserve Account;

"Benefit" in respect of any Interest held, assigned, conveyed, transferred, charged, secured, sold or disposed of by any person includes:

- (a) all right, title, interest and benefit, present and future, actual and contingent (and interests arising in respect thereof) of such person in, to, under and in respect of such Interest and all Ancillary Rights in respect of such Interest;
- (b) all monies and proceeds payable or to become payable under, in respect of, or pursuant to such Interest or its Ancillary Rights and the right to receive payment of such monies and proceeds and all payments made including, in respect of any bank account, all sums of money which may at any time be credited to such bank account together with all interest accruing from time to time on such money and the debts represented by such bank account;
- (c) the benefit of all covenants, undertakings, representations, warranties and indemnities in favour of such person contained in or relating to such Interest or its Ancillary Rights;
- (d) the benefit of all powers of and remedies for enforcing or protecting such person's right, title, interest and benefit in, to, under and in respect of such Interest or its Ancillary Rights, including the right to demand, sue for, recover, receive and give receipts for proceeds of and amounts due under or in respect of or relating to such Interest or its Ancillary Rights; and
- (e) all items expressed to be held on trust for such person under or comprised in any such Interest or its Ancillary Rights, all rights to deliver notices and/or take such steps as are required to cause payment to become due and payable in respect of such Interest and its Ancillary Rights, all rights of action in respect of any breach of or in connection with any such Interest and its Ancillary Rights and all rights to receive damages or obtain other relief in respect of such breach;

"Blackstone Affiliate" means The Blackstone Group L.P. or any Associated Affiliate of The Blackstone Group L.P., including any investment fund managed or advised by any such Associated Affiliate;

"Borrower" means Isobel AssetCo Limited, a private limited company incorporated under the laws of England and Wales with registered number 07815679, having its registered office at 40 Berkeley Square, London W1J 5AL;

"Borrower Debenture" means the English law debenture dated 12 January 2012 granted by the Borrower in favour of the Borrower Security Trustee;

"Borrower Irish Debenture" means the Irish law debenture dated 12 January 2012 granted by the Borrower in favour of the Borrower Security Trustee;

"Borrower Legal Charges" means each legal charge entered into or to be entered into by, amongst others, the Obligors in favour of the Borrower Security Trustee which is supplemental to the Borrower Debenture, but does not include any other Borrower Transaction Security;

"Borrower Secured Property" means each of the assets and undertakings of the Obligors which from time to time are or are expressed to be the subject of the Borrower Security;

"Borrower Security" means the Borrower Transaction Security and the security created by the floating charges granted pursuant to the Securitisation Floating Charge Debenture;

"Borrower Security Documents" means:

- (a) the Borrower Debenture;
- (b) the Intermediate HoldCo Shares Charge;
- (c) the Borrower Legal Charges;
- (d) the Junior Issuer Deed of Assignment;
- (e) the Special DC Deed of Assignment;
- (f) the Ordinary DC Deed of Assignment (1);
- (g) the Ordinary DC Deed of Assignment (2);
- (h) the Ordinary and Overage Deed of Assignment; and
- (i) the Borrower Irish Debenture,

and any other document entered into by any Obligor or any other person creating or expressed to create any Security over all or any part of its assets in respect of the Senior Secured Obligations.

"Borrower Security Trustee" means RBS, acting through its office at 250 Bishopsgate, London EC2M 3UR, or such other entity or entities appointed as Borrower Security Trustee from time to time, subject to and in accordance with the terms of the Borrower Transaction Documents;

"Borrower Transaction Documents" means the Senior Finance Documents, the Management Agreement, the Asset Loan Sale Agreement, the Declaration of Trust Deed, the Tax Deed and the Junior Finance Documents and the Securitisation Floating Charge Debenture and such other documents designated as such in the document or the Incorporated Terms Memorandum;

"Borrower Transaction Security" means the security granted to the Borrower Security Trustee pursuant to the Borrower Security Documents;

"Business Day" means a day (other than a Saturday or Sunday) on which banks are open for general business in London;

"Calculation Date" means in relation to a Note Payment Date the date falling three (3) Note Business Days prior to such Note Payment Date;

"Cash Administration Agreement" means the cash administration agreement dated on or about the Closing Date between the Issuer, the Cash Administrator and the Note Trustee as amended, modified, supplemented or restated from time to time;

"Cash Administrator" means Deutsche Bank AG, London Branch, acting through its office at Winchester House, 1 Great Winchester Street, London EC2N 2DB, or such other entity or entities appointed from time to time as cash administrator subject to and in accordance with the terms of the Cash Administration Agreement;

"Class A Definitive Notes" means any Class A Notes issued in definitive bearer form;

"Class A Noteholders" means the holders of any Class A Notes;

"Class A Permanent Global Note" means any permanent global note representing any Class A Notes in, or substantially in, the form set out in Schedule 3 (*Form of Permanent Global Note*) of the Note Trust Deed;

"Class A Temporary Global Note" means any temporary global note representing any Class A Notes in, or substantially in, the form set out in Schedule 2 (*Form of Temporary Global Note*) of the Note Trust Deed;

"Class B Definitive Notes" means any Class B Notes issued in definitive bearer form;

"Class B Noteholders" means the holders of any Class B Notes;

"Class B Permanent Global Note" means any permanent global note representing any Class B Notes in, or substantially in, the form set out in Schedule 3 (*Form of Permanent Global Note*) of the Note Trust Deed;

"Class B Temporary Global Note" means any temporary global note representing any Class B Notes in, or substantially in, the form set out in Schedule 2 (*Form of Temporary Global Note*) of the Note Trust Deed;

"Class C Definitive Notes" means any Class C Notes issued in definitive bearer form;

"Class C Noteholders" means the holders of any Class C Notes;

"Class C Permanent Global Note" means any permanent global note representing any Class C Notes in, or substantially in, the form set out in Schedule 3 (*Form of Permanent Global Note*) of the Note Trust Deed;

"Class C Temporary Global Note" means any temporary global note representing any Class C Notes in, or substantially in, the form set out in Schedule 2 (*Form of Temporary Global Note*) of the Note Trust Deed;

"Clearstream, Luxembourg" means Clearstream Banking, *société anonyme*;

"Closing Date" means 3 October 2012;

"CMSA European Investor Reporting Package" means the following reports:

- (a) the CMSA E-IRP Loan Setup File in respect of the Property Loans and any New Property Loans;
- (b) the CMSA E-IRP Loan Setup File in respect of the Senior Loan;
- (c) the CMSA E-IRP Loan Periodic Update File in respect of the Property Loans and any New Property Loans;
- (d) the CMSA E-IRP Loan Periodic Update File in respect of the Senior Loan; and
- (e) the CMSA E-IRP Property File in respect of the Asset Level Properties,

in each case in the form prescribed by version 1 of the standard European Investor Reporting Package published by the Commercial Real Estate Finance Council Europe, together with such other additional information as may be agreed from time to time between the Parties to the Servicing Agreement;

"Common Depositary" has the meaning given thereto in Condition 2(a) (*Form, Denomination and Title*);

"Control" means in relation to a person (other than an individual):

- (a) direct or indirect ownership of more than 50 per cent. of the voting securities of such person; or
- (b) the right to appoint, or cause the appointment of, more than 50 per cent. of the members of the board of directors (or similar governing body) of such person; or
- (c) the right to manage, or direct the management of, on a discretionary basis the assets of such person, in the case of sub-clause (b) or this sub-clause (c) by ownership of securities, by contract or otherwise, and, for the avoidance of doubt, where such person is a limited partnership, a general partner is deemed to Control the limited partnership

(and the terms **"Controlling"** and **"Controlled"** shall have the meanings correlative to the foregoing);

"Corporate Officer Agreement" means the corporate officer agreement dated on or about the Closing Date between amongst others, the Corporate Officer Provider, the Borrower, Loan Capital Limited and the Senior Agent;

"Corporate Officer Provider" means Structured Finance Management Limited, a private limited company registered in England and Wales with registered number 3853947, or such other entity or entities appointed from time to time as the corporate officer provider subject to and in accordance with the Corporate Officer Agreement;

"Corporate Services" means the services provided by the Corporate Services Provider pursuant to the Corporate Services Agreement;

"Corporate Services Agreement" means the corporate services agreement dated on or about the Closing Date between amongst others, the Issuer, the Issuer HoldCo, the Issuer HoldCo Share Trustee, the Note Trustee and the Corporate Services Provider;

"Corporate Services Provider" means Structured Finance Management Limited, a private limited company registered in England and Wales with registered number 3853947, or such other entity or entities appointed from time to time as the corporate services provider to the Issuer and Issuer HoldCo subject to and in accordance with the Corporate Services Agreement;

"Couponholders" means the persons who for the time being are holders of the Coupons;

"Coupons" has the meaning given thereto in Condition 2(c) (*Form, Denomination and Title*);

"Credit Bid Restructuring Event" means any event or circumstance where:

- (a) the whole or any part of an Asset Level Obligor's assets ("**Asset Level Obligor Transferred Assets**") are transferred to a New Asset Level Obligor on or following the occurrence of, or in lieu of, an Asset Level Enforcement Action relating to that Asset Level Obligor;
- (b) the purchase price of such Asset Level Obligor Transferred Assets is financed in whole or in part (directly or indirectly) by way of the entry into of a New Property Loans by the Borrower or an Asset WorkoutCo in favour of the relevant New Asset Level Obligor; and
- (c) the sales proceeds for such Asset Level Obligor Transferred Assets are used to discharge in whole or in part the relevant related Property Loan;

"Declaration of Trust Deed" means the declaration of trust deed dated 21 December 2011 as amended on 12 January 2012 between RBS and NatWest as designated trustees and the Borrower;

"Deed of Charge" has the meaning given thereto in the recitals to these Conditions;

"Deferred Consideration" means amounts standing to the credit of the Issuer Transaction Account after payment of items (a) to (i) of the Issuer Pre-Enforcement Revenue Priority of Payments, item (a) of the Issuer Pre-Enforcement Principal Priority of Payments and, as the case may be, items (a) to (k) of the Issuer Post-Enforcement Priority of Payments to be applied by the Issuer as deferred consideration for the sale of the Loan Sale Assets to the Seller;

"Definitive Notes" means the Class A Definitive Notes, the Class B Definitive Notes and the Class C Definitive Notes;

"Enforcement Rights" means all of the rights that a lender may have to declare any Loan Event of Default or otherwise to enforce, directly or indirectly, or to consent to or withhold any consent to, or to vote in favour of the exercise of or consult with any other lenders concerning any power, right or remedy it may have under the Senior Finance Documents or otherwise;

"Euro Commencement Date" means the date (if any) on which the United Kingdom becomes a Participating Member State;

"Euroclear" means Euroclear Bank S.A./N.V., as operator of the Euroclear System;

"Exchange Date" has the meaning given thereto in Condition 2(a) (*Form, Denomination and Title*);

"Excluded Matter" means in respect of the Senior Finance Documents a proposal:

- (a) to change the date of payment of any amounts under the Senior Finance Documents (other than the final maturity date of the Senior Loan);
- (b) to change the principal amount of the Senior Loan;
- (c) to change the margin on the Senior Loan;
- (d) to change the currency of the Senior Loan;
- (e) to extend the final maturity date of the Senior Loan beyond the date falling 5 years prior to the Note Final Maturity Date;
- (f) to extend the final maturity date of any Property Loan or any New Property Loan beyond the Note Final Maturity Date or to permit the entry into of a New Property Loan with a final maturity date beyond the Note Final Maturity Date; or
- (g) to amend this definition,

provided however, for the avoidance of doubt that the following shall not be Excluded Matters:

- (h) the issuance of any standstill provided by the Servicer or the Special Servicer (as applicable); or
- (i) following a Loan Event of Default, a disposal of a Property Loan, or New Property Loan (as applicable) for an amount which is less than the Allocated Debt Amount or its outstanding principal balance;

"Extraordinary Resolution" means (a) a resolution passed at a Meeting of Noteholders by a majority of not less than three quarters of the votes cast or (b) a Written Resolution;

"Final Discharge Date" means the date on which the Note Trustee notifies the Issuer and the Issuer Secured Parties that it is satisfied that all the Issuer Secured Liabilities and/or all other moneys and other liabilities due or owing by the Issuer have been paid or discharged in full;

"Final Maturity Date" has the meaning given thereto in Condition 7(a) (*Redemption and Cancellation – Final Redemption*);

"Financial Statements" means the published financial statements of the Issuer;

"Global Notes" has the meaning given thereto in Condition 2(a) (*Form, Denomination and Title*);

"Guarantor" means each Additional Guarantor and Original Guarantor;

"HoldCo" means Isobel HoldCo Limited a company incorporated in England and Wales, with company number 07811406, having its registered office at 40 Berkeley Square, London W1J 5AL;

"Incorporated Terms Memorandum" means the memorandum dated on or about the Closing Date between, amongst others, the Issuer, the Borrower, Issuer HoldCo, the Note Trustee, the Borrower Security Trustee, the Issuer Account Bank, the Liquidity Facility Provider, the Servicer, the Special Servicer, the Senior Agent, the Agent Bank, the Paying Agents, and the Corporate Services Provider incorporating the definitions and common terms of construction applicable to each of the Issuer Transaction Documents (where not otherwise defined therein);

"Insolvency Event" in respect of any person means any corporate action, legal proceedings or other procedure or step taken by any person in relation to:

- (a) the initiation of or consent to Insolvency Proceedings in respect of such person; or
- (b) the enforcement of any mortgage, charge, lien, pledge or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect, over any assets of or the undertaking of such person (but excluding, in relation to the Issuer, the appointment of a Receiver of the Issuer by the Note Trustee); or
- (c) any distress, execution, diligence, expropriation, sequestration, attachment or other process being levied or enforced or imposed upon or against any asset or assets of such person (but excluding, in relation to the Issuer, by the Note Trustee or by any Receiver of the Issuer appointed by the Note Trustee) and such order, appointment, possession or process (as the case may be) not being discharged or otherwise ceasing to apply within thirty (30) days; or
- (d) an arrangement, composition, reorganisation or compromise (whether by way of voluntary arrangement, scheme of arrangement or otherwise) with any creditor of such person or a conveyance to or assignment with any creditor of such person or an application to or filing with a Court of competent jurisdiction for protection from the creditors of such person or any analogous procedure or steps being taken in any jurisdiction; or
- (e) the appointment of any Insolvency Official in relation to such person or in relation to any part of the undertaking or assets of such person (but excluding, in relation to the Issuer, the appointment of a Receiver of the Issuer by the Note Trustee); or
- (f) otherwise than for the purposes of an amalgamation, merger, reorganisation or reconstruction, such person ceasing to carry on business or any part of its business, stopping or suspending or threatening to stop or suspend payment of any of its debts, being unable to or admitting inability to pay its debts as they fall due, being deemed unable to pay its debts pursuant to or for the purposes of any applicable law or commencing negotiations with one or more of its creditors with a view to rescheduling any of its debts; or
- (g) in the case of the Issuer, the Issuer being unable to pay its debts within the meaning of sections 123(1)(b) or (e) of the Insolvency Act 1986,

provided that any winding up whilst the Issuer is solvent for the purpose of a merger, reconstruction, reorganisation or amalgamation, the terms of which have previously been approved either by the Note Trustee or by an Extraordinary Resolution, shall not constitute an Insolvency Event;

"Insolvency Official" means, in respect of any person, a liquidator, provisional liquidator, administrator, administrative receiver, receiver or manager, receiver, nominee, manager, interim manager, supervisor, trustee, conservator, guardian or other similar official or officer in respect of such person or in respect of any of the person's assets or in respect of any arrangement, compromise or composition with creditors;

"Insolvency Proceedings" means, with respect to any person, the winding up (liquidation), sequestration, petition, appointment of an administrator (including, without limitation, the giving of notice of intention to appoint an administrator or the filing of an application for administration) or the making of an administration order or dissolution of such person or any equivalent or analogous proceedings under the laws of any jurisdiction;

"Instructing Junior Class Test" means (a) in relation to the Class C Noteholders, the net debit on the Principal Deficiency Ledger is less than 75 per cent. of the Principal Amount Outstanding of the Class C Notes at the relevant time, or (b) in relation to the Class B Noteholders, the net debit on the Principal Deficiency Ledger is less than the aggregate of (i) 100 per cent. of the Principal Amount Outstanding of the Class C Notes and (ii) 75 per cent. of the Principal Amount

Outstanding of the Class B Notes at the relevant time, in each case, as notified to the Issuer and the Note Trustee by the Cash Administrator pursuant to the Cash Administration Agreement;

"**Interest**" includes without limitation any asset, agreement, bank account, property or right;

"**Interest Amount**" has the meaning given thereto in Condition 6(d) (*Interest – Calculation of Interest Amount and Determination of Interest Rates in Respect of the Notes*);

"**Interest Determination Date**" means each Loan Payment Date or, in the case of the first Note Interest Period, the Closing Date;

"**Interest Rate**" has the meaning given thereto in Condition 6(c) (*Interest – Interest Rates on the Notes*);

"**Interest Residual Amount**" has the meaning given thereto in Condition 19 (*Subordination and Deferral of Interest*);

"**Intermediate HoldCo**" means Isobel Intermediate HoldCo Limited a private limited company incorporated under the laws of England and Wales with registered number 07813209, having its registered office at 40 Berkeley Square, London W1J 5AL;

"**Intermediate HoldCo Shares Charge**" means the shares charge entered into by Mezzanine Borrower HoldCo in favour of the Borrower Security Trustee in respect of the shares of Intermediate HoldCo;

"**Irish Stock Exchange**" means the Irish Stock Exchange Limited;

"**Isobel Group**" means HoldCo and each of its subsidiary undertakings from time to time;

"**Isobel Group Company**" means a company in the Isobel Group;

"**Issuer Account Bank**" means Deutsche Bank AG, London Branch, acting through its office registered in England and Wales under number BR000005 at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom, as account bank to the Issuer;

"**Issuer Account Bank Agreement**" means the account bank agreement dated on or about the Closing Date and made between, amongst others, the Issuer Account Bank, the Note Trustee and the Issuer;

"**Issuer Account Bank Requisite Rating**" means, in respect of any person, such person's long-term unsecured, unsubordinated, unguaranteed debt obligations being rated at least A by S&P and such person's short-term unsecured debt rating being rated at least A-1 by S&P, or such other ratings as are consistent with the then published criteria of S&P as being the minimum ratings that are required to support the then rating of the Most Senior Class of Notes or as may be agreed by S&P from time to time to maintain such rating;

"**Issuer Accounts**" means the Issuer Transaction Account, the Issuer General Reserve Account, the Issuer Profit Account and the Liquidity Stand-by Account;

"**Issuer Covenants**" means the covenants of the Issuer set out in Schedule 4 (*Issuer Covenants*) of the Incorporated Terms Memorandum;

"**Issuer General Reserve Account**" means the account designated the "**Issuer General Reserve Account**" and held in the name of the Issuer and maintained by the Issuer Account Bank pursuant to the terms of the Issuer Account Bank Agreement or such other account as may be opened, with the consent of the Note Trustee, at any branch of the Issuer Account Bank or at a bank having the Issuer Account Bank Requisite Rating in replacement of such account;

"**Issuer HoldCo**" means Isobel Finance HoldCo No. 1 Limited, a private limited liability company incorporated under the laws of England and Wales with registered number 7874077, having its registered office at 35 Great St. Helen's, London EC3A 6AP;

"Issuer HoldCo Share Trustee" means SFM Corporate Services Limited;

"Issuer Loan Sale Agreement" means the Issuer Loan Sale Agreement dated on or about the Closing Date between the Sellers, the Issuer, the Senior Agent, the Note Trustee and the Borrower Security Trustee;

"Issuer Payment Priorities" means the Issuer Post-Enforcement Priority of Payments, the Issuer Pre-Enforcement Revenue Priority of Payments and the Issuer Pre-Enforcement Principal Priority of Payments;

"Issuer Post-Enforcement Priority of Payments" means the provisions relating to the order of priority of payments set out in Condition 12 (*Enforcement*);

"Issuer Pre-Enforcement Principal Priority of Payments" means the following order of payments:

- (a) all Available Principal Funds will be allocated to the redemption of the Notes sequentially beginning with the Most Senior Class of Notes then outstanding; and
- (b) the surplus, if any, to be paid to the Seller as Deferred Consideration under the Issuer Loan Sale Agreement;

"Issuer Pre-Enforcement Revenue Priority of Payments" means the provisions relating to the order of priority of payments set out in Schedule 1 to the Cash Administration Agreement;

"Issuer Profit Account" means the account designated the **"Issuer Profit Account"** and held in the name of the Issuer and maintained by the Issuer Account Bank pursuant to the terms of the Issuer Account Bank for the purpose of holding the Issuer Profit Amounts or such other account as may be opened at any branch of the Issuer Account Bank or at a bank having the Issuer Account Bank Requisite Rating in replacement of such account;

"Issuer Profit Amount" means an amount to be retained by the Issuer as profit on the first Note Payment Date arising in each accounting period of the Issuer, being an amount equal to £11,000 in respect of the first two accounting periods, £1,200 in respect of the accounting periods commencing on 1 January 2014 and 1 January 2015 and £5,000 in respect of each accounting period thereafter;

"Issuer Secured Liabilities" means the aggregate of all monies and Liabilities which from time to time are or may become due, owing or payable by the Issuer to each of the Issuer Secured Parties under the Notes or any of the Issuer Transaction Documents;

"Issuer Secured Parties" means:

- (a) the Note Trustee (for itself and as trustee of the Noteholders and the other Issuer Secured Parties);
- (b) the Seller;
- (c) the Liquidity Facility Provider;
- (d) the Servicer;
- (e) the Special Servicer;
- (f) the Cash Administrator;
- (g) the Issuer Account Bank;
- (h) the Paying Agents;
- (i) the Agent Bank;
- (j) the Corporate Services Provider;

(k) any Receiver appointed under the Deed of Charge; and

such other creditor who may be a party to, or accede to, the Deed of Charge from time to time in accordance with the terms thereof and is designated an Issuer Secured Party;

"Issuer Secured Property" means all the property of the Issuer which is subject to the Issuer Security;

"Issuer Security" has the meaning given thereto in Condition 4 (*Security*);

"Issuer Tax Deed of Covenant" means the tax deed of covenant dated the Closing Date, between the Issuer, Issuer HoldCo, Issuer HoldCo Share Trustee and the Note Trustee;

"Issuer Transaction Account" means the account designated the "Issuer Transaction Account" and held in the name of the Issuer and maintained by the Issuer Account Bank pursuant to the terms of the Issuer Account Bank Agreement or such other account as may be opened, after consultation with the Note Trustee, at any branch of the Issuer Account Bank or at a bank having the Issuer Account Bank Requisite Rating;

"Issuer Transaction Documents" means the Note Trust Deed, the Deed of Charge, the Securitisation Floating Charge Debenture, the Agency Agreement, the Loan Sale Documents, the Issuer Account Bank Agreement, the Liquidity Facility Agreement, the Cash Administration Agreement, the Servicing Agreement, the Corporate Services Agreement, the Issuer Tax Deed of Covenant, the Confirmation Side Letter, the Incorporated Terms Memorandum and any Property Protection Advance Agreement and **"Issuer Transaction Documents"** means any of them;

"Issuer Transaction Party" means a party who is a party to an Issuer Transaction Document and **"Issuer Transaction Parties"** means some of or all of them;

"Junior Debt" means any debt outstanding pursuant to the Junior Facility Agreement or the Junior Debt Instruments;

"Junior Debt Instruments" means debt instruments issued in order to effect a Junior Debt Securitisation;

"Junior Debt Securitisation" means a securitisation of the whole of the Junior Debt outstanding;

"Junior Facility Agreement" means the up to £327,972,864 facility agreement dated 21 December 2011 originally between, amongst others, RBS as agent, arranger and security trustee, the original lenders identified therein and the Borrower as amended on or about 27 September 2012;

"Junior Finance Document" means the finance documents entered into in connection with the Junior Facility Agreement;

"Junior Issuer Deed of Assignment" means the deed of assignment dated the Closing Date granted by the Junior Issuer in favour of the Borrower Security Trustee;

"Liabilities" means, in respect of any person, any losses, damages, costs, charges, awards, claims, demands, expenses, judgments, decrees, actions, proceedings or other liabilities whatsoever incurred by that person (including legal fees and any Taxes and penalties and any part of such items as represents VAT, but excluding any Taxes which are in respect of that person's overall net income (and Taxes imposed in lieu thereof)) incurred by that person;

"LIBOR" has the meaning given thereto in Condition 6(c) (*Interest – Interest Rates on the Notes*);

"Liquidity Facility" means the up to £23,000,000 364-day revolving facility made in accordance with the Liquidity Facility Agreement or the principal amount outstanding for the time being of such a loan;

"Liquidity Facility Agreement" means the Liquidity Facility Agreement dated on or about the Closing Date between the Issuer, the Liquidity Facility Provider, the Cash Administrator and the Note Trustee and as amended, modified, supplemented or restated from time to time;

"Liquidity Facility Provider" means RBS in its capacity as liquidity facility provider, acting through its office at 135 Bishopsgate, London EC2M 3UR, or such other entity or entities appointed as liquidity facility provider from time to time, subject to and in accordance with the terms of the Liquidity Facility Agreement;

"Liquidity Facility Subordinated Amounts" means the amounts payable by the Issuer to the Liquidity Facility Provider pursuant to the terms of the Liquidity Facility Agreement which (i) are in respect of increased costs; or (ii) represent additional amounts payable due to a requirement to withhold or deduct an amount for or on account of Tax from a payment;

"Liquidity Requisite Rating" means, in respect of any person, such person's long-term unsecured, unsubordinated, unguaranteed debt obligations being rated at least A by S&P and such person's short-term unsecured debt rating being rated at least A-1 by S&P, or such other ratings as are consistent with the then published criteria of S&P as being the minimum ratings that are required to support the then rating of the Most Senior Class of Notes or as may be agreed by S&P from time to time to maintain such rating;

"Liquidity Stand-by Account" means a designated account of the Issuer and maintained by the Liquidity Facility Provider (for so long as the Liquidity Facility Provider maintains the Liquidity Requisite Rating, otherwise, with the then Issuer Account Bank or any other bank with the Liquidity Requisite Rating) in accordance with the Liquidity Facility Agreement;

"Loan Capital Limited" means Isobel Loan Capital Limited a private limited company incorporated under the laws of England and Wales with registered number 07815722, having its registered office at 40 Berkeley Square, London W1J 5AL;

"Loan Enforcement Event" means any of the following events or circumstances:

- (a) the appointment of one or more persons to be a Receiver of the whole or substantially the whole of the Borrower Secured Property;
- (b) the appointment of one or more persons to be an administrator of the Borrower;
- (c) the exercise of any right of appropriation over the whole or substantially the whole of the Borrower Secured Property;
- (d) the appointment of one or more persons to be a Receiver over all of the shares of Intermediate HoldCo or the Borrower; or
- (e) the exercise of any right of appropriation over all of the shares of Intermediate HoldCo or the Borrower,

in each case by any of the Senior Finance Parties pursuant to the terms of the Borrower Transaction Security;

"Loan Event of Default" means an event of default in clause 26 (*Events of Default*) of the Senior Facility Agreement;

"Loan Payment Date" means each of 10 January, 10 April, 10 July and 10 October in each year, **provided that**, if any such day is not a Business Day, the date for such payments shall be the immediately succeeding Business Day in the same month (if there is one) or the preceding Business Day (if there is not);

"Loan Sale Assets" means the Senior Loan together with the Seller's right, title and interests in the Borrower Transaction Security and all of the Seller's rights as lender under the Borrower Transaction Documents;

"Loan Sale Documents" means the Issuer Loan Sale Agreement together with the Transfer Certificate;

"Management Agreement" means the management agreement entered into between the Borrower and the Asset Manager dated 21 December 2011;

"Material Breach of Senior Loan Warranty" means a breach of a Senior Loan Warranty in any material respect where the facts and circumstances giving rise to such breach have or will have a material adverse effect on the ability of the Issuer to discharge in full its obligations under the Issuer Transaction Documents from the amounts received by it under the Senior Loan;

"Meeting of Noteholders" means a meeting of the Noteholders duly convened and held in accordance with Condition 14 (*Meetings of Noteholders*) and provisions contained in Schedule 6 of the Note Trust Deed;

"More Senior Class of Notes" means, as between two Classes of Notes then outstanding, the Class which ranks most senior among such Classes;

"Most Senior Class of Notes" means the Class A Notes for so long as there are any Class A Notes outstanding, thereafter the Class B Notes for so long as there are any Class B Notes outstanding, and thereafter the Class C Notes for so long as there are any Class C Notes outstanding;

"New Asset" means each New Property Loan and related Ancillary Rights, as may be amended, varied, limited, supplemented, restated and/or replaced from time to time

"New Asset Level Finance Documents" means, in respect of any New Property Loans, each finance document relating thereto.

"New Asset Level Obligor" means any obligor under any New Asset Level Finance Documents.

"New Asset Level Security" means all Security in favour of (directly or indirectly) the relevant Asset Level Lender (howsoever defined therein) (or a security trustee for the relevant Asset Level Lender) which secures amounts due to such relevant Asset Level Lender under any New Asset from time to time.

"New Property Loans" means any loan made by the Borrower or an Asset WorkoutCo (as applicable), as a lender, to a New Asset Level Obligor in order to fund the acquisition of one or more Asset Level Obligor Transferred Assets by that New Asset Level Obligor in relation to a Credit Bid Restructuring Event.

"Note Business Day" means a day other than a Saturday or Sunday on which banks are open for general business in London and Dublin;

"Note Enforcement Notice" means a notice delivered by the Note Trustee to the Issuer and the other Issuer Transaction Parties in accordance with Condition 11 (*Note Events of Default*) which declares the Notes to be immediately due and payable;

"Note Event of Default" has the meaning given thereto in Condition 11 (*Note Events of Default*);

"Note Interest Period" has the meaning given thereto in Condition 6(b) (*Interest – Note Payment Dates and Note Interest Periods*);

"Note Payment Date" has the meaning given thereto in Condition 6(b) (*Interest – Note Payment Dates and Note Interest Periods*);

"Note Principal Payment" has the meaning given thereto in Condition 7(e) (*Redemption and Cancellation – Note Principal Payment*);

"Noteholders" means the Class A Noteholders, the Class B Noteholders and the Class C Noteholders;

"Notes" means the Class A Notes, the Class B Notes and the Class C Notes;

"**Notice**" means, in respect of notice being given to the Noteholders, a notice duly given in accordance with Condition 18 (*Notices to Noteholders*);

"**Notice Details**" means the notice details set out in the Note Trust Deed;

"**Obligor**" means the Borrower and Guarantors;

"**Ordinary and Overage DC Deed of Assignment**" means the deed of assignment dated the Closing Date granted by The Royal Bank of Scotland plc in favour of the Borrower Security Trustee;

"**Ordinary DC Deed of Assignment (1)**" means the deed of assignment dated the Closing Date granted by Blackstone (Isobel) Upper L.P. in favour of the Borrower Security Trustee;

"**Ordinary DC Deed of Assignment (2)**" means the deed of assignment dated the Closing Date granted by National Westminster Bank plc in favour of the Borrower Security Trustee;

"**Ordinary Resolution**" means a resolution passed at a Meeting of Noteholders duly convened and held in accordance with provisions contained in Schedule 6 of the Note Trust Deed, by a majority consisting of more than 50 per cent. of the votes cast on such poll;

"**Original Guarantors**" means the Borrower, Loan Capital Limited, EquityCo and Intermediate HoldCo;

"**outstanding**" means, in relation to the Notes, all of the Notes issued other than:

- (a) those Notes which have been redeemed in full and cancelled, in accordance with Condition 7 (*Redemption and Cancellation*) or otherwise under the Note Trust Deed;
- (b) those Notes in respect of which the date for redemption in full in accordance with the Conditions has occurred and the redemption monies for which (including all interest payable thereon) have been duly paid to the Note Trustee or to the Principal Paying Agent in the manner provided in the Agency Agreement (and, where appropriate, notice to that effect has been provided or published in accordance with Condition 18 (*Notices to Noteholders*)) and remain available for payment against presentation of the relevant Notes, Coupons and Receipts;
- (c) those Notes which have become void under Condition 10 (*Prescription*);
- (d) those mutilated or defaced Notes which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Condition 17 (*Replacement of Notes, Coupons, Receipts and Talons*);
- (e) for the purpose only of ascertaining the Principal Amount Outstanding of the Notes and without prejudice to the status, for any other purpose, of the relevant Notes, those Notes which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Condition 17 (*Replacement of Notes, Coupons, Receipts and Talons*);
- (f) the Temporary Global Notes to the extent that they have been exchanged for Permanent Global Notes pursuant to the provisions contained therein and in the Note Trust Deed;
- (g) the Permanent Global Notes that remain in escrow pending exchange of the Temporary Global Notes therefor, pursuant to the provisions contained therein and in the Note Trust Deed; and
- (h) the Permanent Global Notes to the extent that they have been exchanged for Definitive Notes, pursuant to the provisions contained therein and in the Note Trust Deed,

provided that for each of the following purposes, namely:

- (i) the right to attend and vote at any Meeting of Noteholders or pass Written Resolutions;

- (ii) the determination of how many and which Notes are for the time being outstanding for the purposes of clause 17 (*Waiver*), clause 18 (*Modifications*), clause 21 (*Proceedings and Actions by the Note Trustee*), clause 31 (*Appointment of Note Trustees*) and clause 32 (*Notice of a New Note Trustee*) of the Note Trust Deed and Condition 11 (*Note Events of Default*), Condition 12 (*Enforcement*) and the Provisions for Meetings of Noteholders set out in the Note Trust Deed;
- (iii) any discretion, power or authority contained in the Note Trust Deed which the Note Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of any of the Noteholders; and
- (iv) the determination by the Note Trustee whether any of the events specified in Condition 11(a)(ii) (*Note Events of Default – Breach of Other Obligations*) is materially prejudicial to the interests of the Noteholders;

(A) the Notes (if any) which are for time being held by the Issuer, the Borrower and any Obligor shall (unless ceasing to be so held) be deemed not to remain outstanding, unless all the Notes of all the Classes are held by such person and its Affiliates (taken together) in which case the Notes shall remain outstanding; (B) other than in respect of Excluded Matters and Reserved Matters, any of the Notes which are for the time being held by a Relevant Debt Holder shall (unless ceasing to be so held) be deemed not to remain outstanding, unless all the Notes of all the Classes are held by such Relevant Debt Holder and its Affiliates (taken together) in which case such Notes shall remain outstanding; and (C) in respect of Excluded Matters and Reserved Matters, any of the Notes of a particular Class which are for the time being held by a Relevant Debt Holder shall (unless ceasing to be so held) be deemed not to remain outstanding, unless all of the Notes of such Class are held by such Relevant Debt Holder and its Affiliates (taken together) in which case such Notes shall remain outstanding;

"Participating Member State" means at any time any member state of the European Union that has adopted the euro as its lawful currency in accordance with the Treaty;

"Permanent Global Notes" means each Class A Permanent Global Note, each Class B Permanent Global Note and each Class C Permanent Global Note;

"Potential Note Event of Default" means any event which may become (with the passage of time, the giving of notice, the making of any determination or any combination thereof) a Note Event of Default;

"Principal Amount Outstanding" of a Note on any date shall be the principal amount outstanding of such Note on the Closing Date less the aggregate amount of all Note Principal Payments in respect of such Note which have become due and payable and have been paid;

"Principal Collections" means the amounts received by the Issuer by way of the repayment (or prepayment) of principal in respect of the Senior Loan and any other amounts of a principal nature received by the Issuer in respect of the Senior Loan and the other Loan Sale Assets, including any Seller Repurchase Amounts or, as the case may be, Seller Indemnity Amounts of a principal nature;

"Property Protection Advance" means an advance made by a Property Protection Provider to the Issuer on terms acceptable to the Servicer or, as the case may be, the Special Servicer solely for the purposes of funding Property Protection Costs in respect of any Asset Level Property, or (following the occurrence of a Credit Bid Restructuring Event) any New Asset Level Obligor, or the costs of effecting or renewing Insurance Policies in respect of an REO Property;

"Property Protection Advance Agreement" means any agreement entered into between the Issuer and a Property Protection Advance Provider on terms acceptable to the Servicer or, as the case may be, the Special Servicer in respect of a Property Protection Advance;

"Property Protection Advance Provider" means any provider of a Property Protection Advance to the Issuer;

"Property Protection Costs" means such insurance, ground rent, taxes and other costs that the Special Servicer in its capacity as Asset Manager, or any third party Asset Manager appointed as replacement Asset Manager pursuant to the terms of the Servicing Agreement, determines are required to be spent in order to protect and preserve any Isobel Group Company's interest in any Asset Level Property.

"Prospectus" means the final prospectus in relation to the issuance of the Notes dated 28 September 2012;

"Provisions for Meetings of Noteholders" means those provisions contained in Schedule 6 of the Note Trust Deed;

"Quarterly Investor Report" means the duly completed quarterly investor report to be prepared by the Servicer setting out details of, amongst other things, property disposals (if any) since the last Quarterly Investor Report and payments of interest and repayments (or prepayments) on the Notes;

"Quarterly Investor Reporting Date" means 15 February, 15 May, 15 August and 15 November in each year;

"Rating Agency" means S&P;

"RBS" means The Royal Bank of Scotland plc;

"RBSI" means The Royal Bank of Scotland International Limited;

"Receiptholders" means the persons who for the time being are holders of the Receipts;

"Receipts" has the meaning given thereto in Condition 2(c) (*Form, Denomination and Title*);

"Receiver" means any manager, receiver, or administrative receiver who (in the case of an administrative receiver) is a qualified person in accordance with the Insolvency Act 1986 or any equivalent person in England and Wales and who is appointed by the Borrower Security Trustee in respect of the whole or any part of the assets subject to the Borrower Transaction Security or, as the case may be, by the Note Trustee under clause 17 (*Appointment and Removal of Administrator and Receiver*) of the Deed of Charge in respect of the whole or any part of the Issuer Secured Property;

"Redenomination Date" means the Note Payment Date falling on or after the Euro Commencement Date on which the Issuer intends to redenominate the currency of any of the Notes into euro (if any);

"Reference Bank" has the meaning given thereto in Condition 6(c)(ii) (*Interest – Interest Rates on the Notes*);

"Relevant Debt Holder" means any Noteholder that, alone or together with its Affiliates, holds greater than a ten percent (10%) interest in:

- (a) the shares of HoldCo;
- (b) the Junior Debt; or
- (c) the right to receive deferred consideration under Clause 3 (*Residual Amount Distribution*) of the Residual Amount Distribution Agreement or any ordinary deferred consideration certificates issued in exchange therefor;

"REO Property" means any Asset Level Property acquired by an REO Property WorkoutCo in accordance with the terms of the Senior Facility Agreement;

"REO Property WorkoutCo" means a WorkoutCo which acquires an REO Property in accordance with the provisions of clause 25.1 (*Acquisition of REO Properties by REO Property WorkoutCos*) of the Senior Facility Agreement;

"Reserved Matter" means any proposal:

- (a) to change any date fixed for payment of principal or interest in respect of the Notes of any Class, to change the amount of principal or interest due on any date in respect of the Notes of any Class or to alter the provisions in the Conditions setting out the method of calculating the amount of any payment in respect of the Notes of any Class;
- (b) (except in accordance with Condition 7(c) (*Redemption and Cancellation – Substitution/Redemption in Whole for Taxation Reasons*), Condition 7(d) (*Redemption and Cancellation – Substitution/Redemption in Whole for Other Reasons*) and clause 19 (*Substitution*) of the Note Trust Deed) to effect the exchange, conversion or substitution of the Notes of any Class for, or the conversion of such Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed and/or for cash;
- (c) to change the currency in which amounts due in respect of the Notes of any Class are payable;
- (d) to alter the ranking in the priority of payment of payments of interest or principal in respect of the Notes;
- (e) to change the quorum required at any Meeting of Noteholders or the majority required to pass an Extraordinary Resolution; or
- (f) to amend this definition;

"Residual Amount Distribution Agreement" means the agreement dated 21 December 2011 between RBS, National Westminster Bank plc, the Borrower and the Asset Manager;

"S&P" means Standard & Poor's Credit Market Services Europe Limited and includes any successor to its rating business;

"Screen Rate" has the meaning given thereto in Condition 6(c)(i) (*Interest – Interest Rates on the Notes*);

"Securitisation Floating Charge Debenture" means the debenture dated on or about the Closing Date between, amongst others, the Issuer, the Borrower and the Senior Agent;

"Security Trust and Intercreditor Deed" means the intercreditor deed dated 21 December 2011 and as amended on 12 January 2012, 9 March 2012 and on or about 27 September 2012, made between, amongst others, the Lenders, the Borrower, the Borrower Security Trustee, the Senior Agent and includes such agreement as from time to time modified or supplemented in accordance with the provisions therein contained;

"Seller" means RBS as seller under the Issuer Loan Sale Agreement;

"Seller Indemnity Amounts" means the indemnity payment payable by the Seller to the Issuer in accordance with the terms of the Issuer Loan Sale Agreement in respect of a Material Breach of Senior Loan Warranty;

"Seller Repurchase Amounts" means the consideration payable by the Seller to the Issuer in accordance with the terms of the Issuer Loan Sale Agreement in respect of the repurchase of the Loan Sale Assets as a result of a Material Breach of Senior Loan Warranty;

"Senior Agent" means RBS as agent for the Senior Finance Parties under the Senior Facility Agreement, or such other entity or entities appointed as facility agent from time to time, subject to and in accordance with the terms of the Senior Facility Agreement;

"Senior Facility Agreement" means the facility agreement dated 21 December 2011 as amended on 12 January 2012, 10 February 2012, 9 March 2012 and on or about 27 September 2012 and made between, amongst others, the Borrower, the Original Guarantors, the Senior Agent and the

Borrower Security Trustee, which expression includes such Senior Facility Agreement as from time to time modified or supplemented in accordance with the provisions contained therein;

"Senior Finance Documents" means, among others, each of the Senior Facility Agreement, the Borrower Security Documents and the Security Trust and Intercreditor Deed plus any other document defined as a **"Finance Document"** in the Senior Facility Agreement;

"Senior Finance Party" means any party designated as a finance party in accordance with the terms of the Senior Facility Agreement;

"Senior Loan" means the senior loan advanced under the Senior Loan Facility and outstanding from time to time, excluding any Asset/REO Property Consideration Loans;

"Senior Loan Facility" means the up to £600,000,000 senior facility Sterling term loan made in accordance with the Senior Facility Agreement or the principal amount outstanding for the time being of such a loan;

"Senior Loan Warranty" means the representations and warranties given by the Seller in connection with the Loan Sale Assets under the Issuer Loan Sale Agreement;

"Servicer" means Capita Asset Services (UK) Limited, a limited liability company incorporated under the laws of England and Wales (with registered number 03376447), acting through its office at 5th Floor, 40 Dukes Place, London, EC3A 7NH, or any replacement of the Servicer in accordance with the Servicing Agreement;

"Servicing Termination Event" means:

- (a) default (other than a failure to pay) is made by the Servicer or, as the case may be, the Special Servicer in the performance or observance of any of its material covenants and obligations under the Servicing Agreement or breach of any of the representations and warranties of the Servicer or, as the case may be, the Special Servicer contained herein which in the opinion of the Note Trustee is materially prejudicial to the interests of the holders of any Class of Notes and (except where in the opinion of the Note Trustee such default is incapable of remedy, when no such continuation and/or notice as is hereinafter mentioned shall be required) such default continues unremedied for a period of three (3) Note Business Days after receipt by the Servicer or, as the case may be, the Special Servicer of written notice from the Note Trustee requiring the same to be remedied;
- (b) an Insolvency Event occurs in relation to the Servicer or, as the case may be, the Special Servicer; or
- (c) it becomes unlawful for the Servicer or, as the case may be, the Special Servicer to perform any material part of the Services except in circumstances where no other person could perform such material part of the Services lawfully;

"Servicing Agreement" means the servicing agreement dated on or about the Closing Date and made between, amongst others, the Issuer, the Servicer, the Special Servicer, the Cash Administrator and the Note Trustee;

"Servicing Standard" means the provisions of the Servicing Agreement requiring the Servicer or, as the case may be, the Special Servicer to at all times perform its obligations under the Servicing Agreement in accordance with and subject to the following requirements, which shall be applied in the following order of priority in the event of a conflict:

- (a) any and all applicable laws and regulations;
- (b) the Senior Finance Documents;
- (c) the Servicing Agreement;
- (d) the higher of:

- (i) the manner in which, and the same care, skill and diligence with which it services and administers similar commercial loans for other third party owners of commercial loan portfolios; and
- (ii) the level of care, skill and diligence which it would use if it were the owner of the Loan Sale Assets,

in each case giving due consideration to the timely collection of all scheduled payments or principal and interest under the Loan Sale Assets, or if the Senior Loan comes into and continue in default, and, if in the good faith and reasonable judgment of the Servicer or, as the case may be, the Special Servicer no satisfactory arrangements can be made for the collection of delinquent payments, the maximisation of recoveries in respect of the Loan Sale Assets, without regard to any fees or other compensation to which it is entitled, any relationship the Servicer or the Special Servicer or any of their respective affiliates have with the Borrower (or any affiliate of the Borrower)(including the holding of any shares in the Borrower or any of its affiliates), any equity or debt participations of the Servicer or, as the case may be, the Special Servicer or any of their respective affiliates thereof, any relationship it may have with any Issuer Transaction Party or the ownership of or otherwise holding an interest in any Note or the Senior Loan by the Servicer or, as the case may be, the Special Servicer or any affiliate thereof;

"**Shareholders**" means the holders of Shares (and a "**Shareholder**" shall be construed accordingly);

"**Shares**" means ordinary shares of £1 each in the capital of Isobel HoldCo Limited;

"**Sole Noteholder**" means any person that holds 100% of the beneficial title and interest in all the Notes of all the Classes then outstanding (including any Notes which would be deemed not to be outstanding under the terms of the Note Trust Deed);

"**Special DC Deed of Assignment**" means the deed of assignment dated the Closing Date granted by Blackstone (Isobel) Upper L.P. in favour of the Borrower Security Trustee;

"**Special Servicer**" means Capita Asset Services (UK) Limited, a limited liability company incorporated under the laws of England and Wales (with registered number 03376447), acting through its office at 5th Floor, 40 Dukes Place, London, EC3A 7NH, or any replacement of the Special Servicer in accordance with the Servicing Agreement;

"**Special Servicing Event**" means the occurrence of any of the following events:

- (a) a Loan Event of Default under clause 26.1 (Non-Payment) of the Senior Facility Agreement resulting from the failure to repay the Senior Loan on the Expected Final Repayment Date; or
- (b) except as provided in (a), a Loan Event of Default under clause 26.1 (Non-Payment) of the Senior Facility Agreement occurs for a period of 20 calendar days; or
- (c) a Loan Event of Default under clause 26.5 (Cross-Default), clause 26.6 (Insolvency) or clause 26.7 (Insolvency Proceedings) or clause 26.8 (Creditors' process) of the Senior Facility Agreement; or
- (d) at the Servicer's discretion after any Obligor or any affiliate of any of them commences discussions for substantial modifications to the Borrower Transaction Documents in order to prevent the occurrence of any of the events set out in items (a) to (c) above;

"**Specially Serviced Loan**" has the meaning given thereto in clause 11.1.1 (*Effect of a Special Servicing Event*) of the Servicing Agreement;

"**Specified Office**" means, in relation to any Agent:

- (a) the office specified against its name in the Notices Details; or
- (b) such other office as such Agent may specify in accordance with the Agency Agreement;

"**Sterling**" means the lawful currency of Great Britain and Northern Ireland;

"**Talon**" has the meaning given thereto in Condition 2(c) (*Form, Denomination and Title*);

"**Tax**" means any present or future tax, levy, impost, duty or other charge or withholding of any nature whatsoever (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same) imposed or levied by or on behalf of a Tax Authority and "**Taxes**", "**taxation**", "**taxable**" and comparable expressions shall be construed accordingly;

"**Tax Authority**" means any government, state, municipal, local, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world including without limitation, HM Revenue and Customs (and any successor thereto);

"**Tax Deed**" means the tax deed of covenant dated 21 December 2011 and amended and restated on 12 January 2012 and on or prior to the Closing Date entered into between RBS, the Borrower, Isobel Holding S.à r.l. and the members of the Isobel Group;

"**Temporary Global Note**" means each Class A Temporary Global Note, each Class B Temporary Global Note and each Class C Temporary Global Note;

"**Transaction Documents**" means the Issuer Transaction Documents and the Borrower Transaction Documents;

"**Transfer Certificate**" means the certificate of transfer pursuant to the Senior Facility Agreement dated on or about the Closing Date between the Seller, the Issuer and the Senior Agent;

"**Treaty**" means the Treaty establishing the European Union, as amended by the Treaty on European Union and the Treaty of Amsterdam;

"**Trust Documents**" means the Note Trust Deed and the Deed of Charge (each as from time to time modified or supplemented in accordance therewith);

"**VAT**" means (a) any tax imposed in compliance with the Council Directive 2006/112/EC of 28 November 2006 on the common system of Value Added Tax; and (b) any other tax of a similar fiscal nature, whether imposed in a Member State of the European Union in substitution for or in addition to such tax, or imposed elsewhere;

"**WorkoutCo**" means Loan Capital Limited, or any Asset WorkoutCo or REO Property WorkoutCo; and

"**Written Resolution**" means, in relation to all Notes outstanding or, as the case may be, any Class of Notes outstanding, a resolution in writing signed by or on behalf of all holders of Notes outstanding or, as the case may be, of such Class outstanding who, in either case, for the time being are entitled to receive notice of a Meeting of Noteholders in accordance with the provisions of the Note Trust Deed whether contained in one document or several documents in like form, each signed by or on behalf of one or more such Noteholders.

2. **Form, Denomination and Title**

- (a) The Notes of each Class are initially represented by a Temporary Global Note in bearer form, without Coupons or Receipts, in the initial principal amount of £230,000,000 for the Class A Notes, £60,000,000 for the Class B Notes and £173,219,000 for the Class C Notes. Each Temporary Global Note will be deposited on behalf of the subscribers of each Class of the Notes with a common depositary (the "**Common Depositary**") for Clearstream, Luxembourg and Euroclear on or about the Closing Date. Upon deposit of the Temporary Global Notes, Clearstream, Luxembourg or Euroclear (as the case may be) credited each subscriber of the Notes with the principal amount of Notes of the relevant Class equal to the aggregate principal amount thereof for which it had subscribed and paid. Interests in each Temporary Global Note are exchangeable, in whole or in part, forty (40) days after the Closing Date (the "**Exchange Date**"), provided certification of non-U.S. beneficial ownership by the relevant Noteholders has been received, for

interests in a Permanent Global Note in bearer form (which will also be deposited with the Common Depositary) representing the same Class of Notes, without Coupons or Receipts. The expressions "**Global Notes**" and "**Global Note**" mean, respectively (i) all the Temporary Global Notes and the Permanent Global Notes or the Temporary Global Note and the Permanent Global Note of a particular Class or (ii) any Temporary Global Notes or Permanent Global Notes, as the context may require. On the exchange of the Temporary Global Note for the Permanent Global Note of the relevant Class, the Permanent Global Notes will remain deposited with the Common Depositary. Title to the Global Notes will pass by delivery. The Permanent Global Notes will only be exchangeable for Definitive Notes in certain limited circumstances described below.

For so long as any Notes are represented by a Global Note, interests in such Notes will be transferable in accordance with the rules and procedures for the time being of Clearstream, Luxembourg or Euroclear, as appropriate.

- (b) If, while any of the Notes are represented by a Permanent Global Note, (i) Clearstream, Luxembourg or Euroclear is closed for business for a continuous period of fourteen (14) days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no other clearing system acceptable to the Note Trustee is then in existence, or (ii) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will on the next Note Payment Date be required to make any deduction or withholding for or on account of Tax from any payment in respect of such Notes which would not be required were such Notes in definitive form, then the Issuer will issue Definitive Notes in respect of the Notes in exchange for the whole outstanding interest in the Permanent Global Note of each Class on the later of the Exchange Date and the day falling thirty (30) days after the occurrence of the relevant event.
- (c) Definitive Notes of each Class of Notes (which, if issued, will be issued in minimum denominations of £100,000 and, for so long as Euroclear and Clearstream, Luxembourg so permit, any amount in excess thereof in integral multiples of £1,000) will be serially numbered and will be issued in bearer form with (at the date of issue) interest coupons ("**Coupons**"), receipts for payments of principal ("**Receipts**") and talons for further Coupons and Receipts (each, a "**Talon**") attached at the time of issue. Title to the Definitive Notes and Coupons and Receipts shall pass by delivery.
- (d) The holder of any Note and of any Coupon and of any Receipt shall (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Note or Coupon or Receipt, as the case may be, regardless of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing thereon.
- (e) References to "**Notes**" include the Global Notes and the Definitive Notes.

3. **Status and Ranking of the Notes**

(a) ***Status and Ranking of the Class A Notes***

The Class A Notes, the Coupons and the Receipts relating thereto constitute direct, secured, unconditional and unsubordinated obligations of the Issuer and are secured by the Issuer Security. The Class A Notes rank *pari passu* without preference or priority amongst themselves and ahead of, *inter alia*, the Class B Notes and the Class C Notes.

(b) ***Status and Ranking of the Class B Notes***

The Class B Notes, the Coupons and the Receipts relating thereto constitute direct, secured and unconditional obligations of the Issuer and are secured by the Issuer Security. The Class B Notes rank *pari passu* without preference or priority amongst

themselves but the Class A Notes rank in priority to the Class B Notes. The Class B Notes rank ahead of the Class C Notes. Payments of interest on the Class B Notes are subordinated to, *inter alia*, payments of interest on the Class A Notes and, subject to Condition 7(b) (*Redemption and Cancellation – Mandatory Redemption from Available Principal Funds*), payments of principal on the Class B Notes are subordinated to, *inter alia*, payments of principal on the Class A Notes, as provided herein, in the Deed of Charge and in the Cash Administration Agreement.

(c) ***Status and Ranking of the Class C Notes***

The Class C Notes, the Coupons and the Receipts relating thereto constitute direct, secured and unconditional obligations of the Issuer and are secured by the Issuer Security. The Class C Notes rank *pari passu* without preference or priority amongst themselves but the Class A Notes and the Class B Notes rank in priority to the Class C Notes. Payments of interest on the Class C Notes are subordinated to, *inter alia*, payments of interest on the Class A Notes and the Class B Notes and, subject to Condition 7(b) (*Redemption and Cancellation – Mandatory Redemption from Available Principal Funds*), payments of principal on the Class C Notes are subordinated to, *inter alia*, payments of principal on the Class A Notes and the Class B Notes, as provided herein, in the Deed of Charge and in the Cash Administration Agreement.

(d) ***Issuer Payment Priorities***

Prior to the occurrence of a Note Event of Default and the delivery of a Note Enforcement Notice, the Issuer is required to apply amounts standing to the credit of the Issuer Transaction Account in accordance with the Issuer Pre-Enforcement Revenue Priority of Payments and the Issuer Pre-Enforcement Principal Priority of Payments and, following the occurrence of a Note Event of Default, delivery of a Note Enforcement Notice by the Note Trustee and the enforcement of the Issuer Security, in accordance with the Issuer Post-Enforcement Priority of Payments.

(e) ***Status and Relationship between the Classes of Notes and the Issuer Secured Parties***

The Note Trust Deed contains provisions requiring the Note Trustee to have regard to the interests of the Noteholders equally as a single Class as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee (except where expressly provided otherwise), but requiring the Note Trustee in any such case to have regard only to the interests of the holders of the Most Senior Class of Notes then outstanding if, in the Note Trustee's opinion, there is a conflict between the interests of the holders of such Class and any other Class of Notes then outstanding.

So long as any of the Notes remain outstanding, in the exercise of its rights, authorities and discretions under the Trust Documents, the Note Trustee is not required to have regard to the interests of the other Issuer Secured Parties.

For the purposes of exercising any right, power, trust, authority, duty or discretion by it under or in relation to these Conditions, the Notes, the Trust Documents and/or any of the Issuer Transaction Documents, the Note Trustee shall be entitled to take into account, amongst any other things it may consider necessary and/or appropriate in its absolute discretion, confirmation from the Rating Agency that the then current ratings of the applicable Class or Classes of Notes will not be downgraded, withdrawn or qualified, and that, where any original rating of the Notes has been and continues to be downgraded, restoration of such original rating would not be prevented, as a result of such exercise. For the avoidance of doubt, such rating confirmation or the absence of such rating confirmation shall, however, not of itself be construed to mean that any such exercise (or contemplated exercise) by the Note Trustee of any right, power, trust, authority, duty or discretion under or in relation to the Conditions or any of the Issuer Transaction Documents is not materially prejudicial to the interest of holders of that Class of Notes.

4. **Security**

As far as permitted by and subject to compliance with any applicable law and as continuing security for the payment or discharge of the Issuer Secured Liabilities (including all monies payable in respect of the Notes, Coupons and Receipts and otherwise under the Trust Documents (including the remuneration, expenses and other claims of the Note Trustee and any Receiver appointed thereunder)), the Issuer has entered into the Deed of Charge to create the following security (the "**Issuer Security**") in favour of the Note Trustee for itself and on trust for the other Issuer Secured Parties:

- (i) an assignment by way of first fixed security of the Benefit of the Issuer under the Borrower Transaction Documents;
- (ii) an assignment by way of first fixed security of the Benefit of the Issuer under each Issuer Transaction Document (other than the Trust Documents);
- (iii) a first fixed charge of the Benefit of the Issuer Accounts and any bank or other accounts in which the Issuer may at any time have or acquire any Benefit and all of its other book debts, present and future, the proceeds of the same and all other moneys due and payable to it and the benefit of all rights, securities and guarantees of any nature enjoyed or held by it in relation to any of the forgoing (other than amounts standing to the credit of the Liquidity Stand-by Account which are secured in favour of the Liquidity Facility Provider only and the Issuer Profit Account); and
- (v) a floating charge over the whole of its undertaking and all its property, assets and rights whatsoever and wheresoever situated, present and future, including its uncalled capital, other than amounts standing to the credit of the Issuer Profit Account and save that amounts held in any Liquidity Stand-by Account are secured for the benefit of the Liquidity Facility Provider only.

Each Class of Noteholders will share the benefit of the Issuer Security under the Deed of Charge, upon and subject to the terms thereof.

5. **Issuer Covenants**

(a) ***Issuer Covenants***

Save as permitted by the Issuer Transaction Documents, the Issuer Covenants comprise certain covenants in favour of the Note Trustee from the Issuer which, amongst other things, restrict the ability of the Issuer to create or incur any indebtedness, dispose of assets or change the nature of its business. So long as any Note remains outstanding, the Issuer shall comply with the Issuer Covenants.

(b) ***Financial Statements and Quarterly Investor Reports***

The Issuer undertakes:

- (i) to provide to the Note Trustee, the Rating Agency and the Paying Agents or to procure that the Note Trustee, the Rating Agency and the Paying Agents are provided with:
 - (A) the Financial Statements; and
 - (B) the Quarterly Investor Reports; and
 - (C) the CMSA European Investor Reporting Package; and
- (ii) to publish or procure the publication of the Quarterly Investor Reports and the CMSA European Investor Reporting Packages on a website of the Servicer, being www.capitaassetservices.ie or such other website as the Servicer may designate previously identified and accessible to Noteholders,

except to the extent that disclosure of such financial information would at that time breach any law, regulation, Irish Stock Exchange requirement or rules of any applicable regulatory body to which the Issuer is subject.

The Financial Statements, the Quarterly Investor Reports and the CMSA European Investor Reporting Package will be available for inspection by the Noteholders during normal business hours on any Note Business Day at the Specified Office for the time being of each of the Paying Agents. Upon receipt of such information, the Principal Paying Agent will, upon written request by a Noteholder to the Principal Paying Agent and confirmation satisfactory to the Principal Paying Agent of its current holding of the Notes, post to it the most recent Quarterly Investor Report and/or CMSA European Investor Reporting Package held by the Principal Paying Agent.

(c) ***Issuer Cash Administrator***

So long as any of the Notes remains outstanding, the Issuer will procure that there will at all times be a cash administrator in respect of the monies from time to time standing to the credit of the Issuer Accounts and such other accounts of the Issuer from time to time. Any appointment of a substitute cash administrator by the Issuer is subject to, amongst other things, such substitute cash administrator entering into an agreement in the form of (and on substantially the same terms as) the Cash Administration Agreement.

Any resignation by the Cash Administrator or a termination of its appointment will not take effect until a substitute cash administrator, previously approved in writing by the Note Trustee, has been duly appointed.

The appointment of the Cash Administrator may be revoked by the Issuer (with the prior written consent of the Note Trustee) or the Note Trustee by not less than thirty (30) days prior notice, **provided that**, such revocation shall not take effect until a substitute cash administrator, approved by the Note Trustee, has been duly appointed.

The appointment of the Cash Administrator shall terminate forthwith if the Cash Administrator becomes incapable of acting or becomes insolvent or defaults in the performance of any of its material covenants or obligations under the Cash Administration Agreement and such default is not cured or waived within three (3) Note Business Days of it occurring. In such a case, the Issuer shall forthwith appoint a substitute cash administrator.

(d) ***Servicer***

So long as any of the Notes remains outstanding, the Issuer will procure that there will at all times be a Servicer in respect of the administration of the Senior Loan and the Borrower Security. Any appointment of a substitute Servicer by the Issuer is subject to, amongst other things, such substitute Servicer entering into an agreement in the form of (and on substantially the same terms as) the Servicing Agreement.

Any resignation by the Servicer or a termination of its appointment will not take effect until a substitute Servicer, previously approved in writing by the Note Trustee, has been duly appointed.

The appointment of the Servicer may be revoked by the Issuer (with the prior written consent of the Note Trustee and the holders of the Most Senior Class of Notes) by not less than thirty (30) days notice **provided that** such revocation shall not take effect until a substitute Servicer, approved by the Note Trustee has been duly appointed.

The appointment of the Servicer shall terminate forthwith upon the occurrence of a Servicing Termination Event subject to the appointment of a replacement Servicer. In such case, the Issuer shall forthwith appoint a substitute Servicer.

(e) ***Special Servicer and Controlling Party Representative***

The holders of the Most Senior Class of Notes will, at their discretion, be entitled to: (a) prior to the occurrence of a Note Event of Default, and by way of an Ordinary Resolution passed by the holders of the Most Senior Class of Notes in accordance with Condition 14 (*Meetings of Noteholders*), to appoint a third party (the "**Controlling Party Representative**") to represent their interests in the administration of the Senior Loan if a Special Servicing Event has occurred and is continuing; and (b) by way of an Ordinary Resolution passed by the holders of the Most Senior Class of Notes in accordance with Condition 14 (*Meetings of Noteholders*), to terminate the appointment of the Controlling Party Representative and to appoint a successor Controlling Party Representative.

Upon the appointment of a Controlling Party Representative by the holders of the Most Senior Class of Notes, each of the parties to the Servicing Agreement will be required, pursuant to the terms of the Servicing Agreement, to use all reasonable endeavours to enable the Controlling Party Representative to accede to the terms of the Servicing Agreement. Upon any change in the identity of the Controlling Party Representative, the rights and obligations of the then Controlling Party Representative under the Servicing Agreement will be terminated and, pursuant to the terms of the Servicing Agreement, each of the parties to the Servicing Agreement will be required to use reasonable endeavours to enable the successor Controlling Party Representative to accede to the terms of the Servicing Agreement.

Notwithstanding the appointment of the Special Servicer, the Servicer will be required to continue to collect information and prepare all reports required to be collected or prepared by it pursuant to the Servicing Agreement during any period that the Senior Loan is a Specially Serviced Loan (but **provided that** the information and reports in respect of the Specially Serviced Loan will be based on information reports provided by the Special Servicer, which shall be provided in sufficient time to enable the Servicer to prepare the relevant report).

Upon the occurrence of a Note Event of Default, the appointment, if any, of the Controlling Party Representative will be terminated, along with the rights of the Controlling Party Representative under the Servicing Agreement. In addition, upon the occurrence of a Note Event of Default the Servicer, or as the case may be the Special Servicer will be obliged, in discharging its servicing functions under the Servicing Agreement to follow the instructions of the Note Trustee, such instructions to be given in accordance with the Note Trust Deed and these Conditions.

In no circumstances shall the Note Trustee be obliged to assume the obligations of the Servicer, or as the case may be, the Special Servicer.

(f) ***Modifications, Amendments and Waivers of Borrower Transaction Documents***

The Servicer or, as the case may be, the Special Servicer may agree on behalf of the Issuer to any requests received by it through the Senior Agent or the Borrower or, as the case may be, Guarantors directly to modify, amend or waive any provision of the Borrower Transaction Documents (a "**Proposal**") and (excepting in relation to Excluded Matters, as to which see below) without any need to obtain the consent of the Noteholders, subject to the terms of the Servicing Agreement.

The Servicer or, as the case may be, the Special Servicer is required to consult with the Controlling Party Representative (if any), in respect of any Proposal (as well as in respect of any proposed sale of the Senior Loan). The Servicer or, as the case may be, the Special Servicer shall take due account of the advice and representations made to it by the Controlling Party Representative but shall not be obliged to follow the instructions of the Controlling Party Representative and shall agree to or object to a Proposal at its discretion. in accordance with the Servicing Standard.

Notwithstanding any other provision set out in the Servicing Agreement, in no event shall the Servicer or the Special Servicer:

- (i) take any action or to refrain from taking any action which, in the good faith and reasonable judgment of the Servicer or the Special Servicer, would cause the Servicer or Special Servicer to violate the Servicing Standard; or
- (ii) refrain from taking any action pending receipt of a response from the Controlling Party Representative to a request for consultation in relation to a Proposal or a sale of the Senior Loan, if the Servicer or Special Servicer, in its good faith and reasonable judgment, determines that immediate action is necessary to comply with the Servicing Standard,

and the taking of any action prior to the receipt of a response from the Controlling Party Representative or in a manner which is contrary to the directions of, or disapproved by, the Controlling Party Representative shall not constitute a breach by the Servicer or the Special Servicer of the Servicing Agreement so long as, in the Servicer's or the Special Servicer's good faith and reasonable judgment, such action was required by the Servicing Standard. Furthermore, without prejudice to the Servicer's and the Special Servicer's obligations to act in accordance with the Servicing Standard, neither the Servicer nor the Special Servicer shall be liable for the consequences of any delay caused by the compliance by Servicer or, as the case may be, the Special Servicer with its obligations under this Condition relating to consultation with the Controlling Party Representative.

If, in accordance with the above, the Servicer or Special Servicer takes action prior to receiving a response from the Controlling Party Representative, it is required to notify the Controlling Party Representative of the action as soon as reasonably practicable and if the Controlling Party Representative objects to such actions within 5 Business Days after being notified of such action, the Servicer or, as the case may be, the Special Servicer is required to take due account of any advice from or representations made by the Controlling Party Representative regarding any further action that it considers should be taken.

The Servicer or, as the case may be, the Special Servicer shall not take any action to agree to any Proposal that is an Excluded Matter unless authorised by an Extraordinary Resolution of each Class of Notes then outstanding, save that an Extraordinary Resolution of the Class B Notes and/or the Class C Notes (save where such Class is the Most Senior Class of Notes outstanding) shall not be required if such Class fails to satisfy the Instructing Junior Class Test at the relevant time.

The Servicer or, as the case may be, the Special Servicer shall not agree to any Proposal in relation to the payment obligations of the Borrower set out in clause 12.7 (*Senior Issuer Fees*) of the Senior Facility Agreement which would change the ranking of the Senior Issuer Note Trustee Costs (as such term is defined in the Senior Facility Agreement) the priority of payments set out in clause 21.7 (*Income Account*) of the Senior Facility Agreement or amend the definition of Issuer Note Trustee costs, in each case without the prior written consent of the Note Trustee.

6. Interest

(a) *Period of Accrual*

Each Note bears interest on its Principal Amount Outstanding from (and including) the Closing Date. Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) shall cease to bear interest from its due date for redemption, unless, upon due presentation, payment of the relevant amount of principal or any part thereof is improperly withheld or refused. In such event, interest will continue to accrue thereon (before and after any decree or judgment) at the rate applicable to such Note up to (but excluding) the date on which, on presentation of such Note, payment in full of the relevant amount of principal is made or (if earlier) the day after notice is duly given by the Principal Paying Agent to the holder thereof (in accordance with Condition 18 (*Notices to Noteholders*)) that upon presentation thereof, such payment will be made, **provided that** upon such presentation, such payment is in fact made.

(b) ***Note Payment Dates and Note Interest Periods***

Interest on the Notes is payable quarterly in arrear on 17 April, 17 July, 17 October and 17 January in each year (or, if such day is not a Note Business Day, the next succeeding Note Business Day unless such succeeding Note Business Day falls in the next succeeding calendar month, in which case, the immediately preceding Note Business Day) (each, a "**Note Payment Date**") in respect of the Note Interest Period ending immediately prior thereto, except that the first such payment is due on the Note Payment Date falling on 17 October 2012 (the "**First Note Payment Date**") in respect of the period from (and including) the Closing Date to (but excluding) the Note Payment Date falling on 17 October 2012.

A "**Note Interest Period**" means the period from (and including) the Closing Date to (but excluding) the Note Payment Date falling on 17 October 2012 and thereafter each successive Note Interest Period will commence on (and include) a Note Payment Date and end on (but exclude) the next succeeding Note Payment Date.

(c) ***Interest Rates on the Notes***

The rate of interest applicable to each Class of Notes (the "**Interest Rate**") for each Note Interest Period will be determined by the Agent Bank on the following basis:

- (i) at or about 11.00 a.m. on each Interest Determination Date, the Agent Bank will determine the offered quotation to leading banks in the London interbank market ("**LIBOR**") for three month Sterling deposits (or in the case of the first Note Interest Period, the linear interpolation of LIBOR between 2-week and 1-month deposits) (rounded to five decimal places with the mid-point rounded up) by reference to the display designated as the British Bankers' Association's Interest Settlement Rate as quoted on the appropriate page of the Reuters screen (the "**Screen Rate**") and if such rate is below zero, LIBOR will be deemed to be zero. If the agreed page is replaced or service ceases to be available, the Agent Bank may specify another page or service displaying the appropriate rate after consultation with the Note Trustee and the Paying Agents; or
- (ii) if the Screen Rate is not then available for Sterling or for the Note Interest Period of the Notes, the Agent Bank will determine the arithmetic mean of the rates (rounded to five decimal places with the mid-point rounded up) as supplied to it at its request by the principal London office of each of The Royal Bank of Scotland plc, HSBC Bank plc, Barclays Bank PLC and Lloyds TSB Bank plc or such other banks which the Agent Bank (in consultation with the Note Trustee and the Paying Agents) may appoint from time to time (the "**Reference Banks**") at or about 11.00 a.m. on the Interest Determination Date for the offering of deposits to the leading banks in the London interbank market in Sterling and for a period comparable to the Note Interest Period for the Notes and if such rate is below zero, LIBOR will be deemed to be zero. If on any Interest Determination Date, only three of three of the four Reference Banks provide such offered quotations to the Agent Bank, the relevant rate shall be determined, as aforesaid, on the basis of the offered quotations of those Reference Banks providing such quotations. If on any such Interest Determination Date, only one quotation is provided as requested, the rate for that Interest Determination Date will be the arithmetic mean (rounded to five decimal places with the mid-point rounded up) of the rates quoted by leading banks in London selected by the Agent Bank (which bank or banks is or are in the opinion of the Note Trustee suitable for such purpose).

The Interest Rate for such Note Interest Period shall be the sum of:

- (a) the Screen Rate or, as the case may be, the arithmetic mean so determined pursuant to paragraph (c)(ii) above; and

- (b) in the case of:
 - (i) the Class A Notes, a margin of (i) 2.55 per cent. per annum in respect of each Interest Period;
 - (ii) the Class B Notes, a margin of (i) 4.25 per cent. per annum in respect of each Interest Period; and
 - (iii) the Class C Notes, a margin of (i) 4.50 per cent. per annum in respect of each Interest Period.

(d) ***Calculation of Interest Amount and Determination of Interest Rates in Respect of the Notes***

The Agent Bank will, as soon as practicable after each Interest Determination Date in relation to each Note Interest Period, determine and notify the Issuer, the Note Trustee and the Paying Agents and will cause notice thereof to be given to the relevant Noteholders in accordance with Condition 18 (*Notices to Noteholders*) of (i) the Interest Rate applicable to the Note Interest Period commencing on or immediately after that Interest Determination Date in respect of each Class of the Notes; and (ii) the amount of interest (the "**Interest Amount**") payable in respect of each Note for such Note Interest Period. The Interest Amounts will be calculated by applying the relevant Interest Rate for such Note Interest Period to the then Principal Amount Outstanding of such Note and multiplying the product by the actual number of days in such Note Interest Period divided by 365 or after the Redenomination Date (if any) 360 and rounding the resulting figure to the nearest £0.01 (half of £0.01 being rounded upwards).

(e) ***Failure of Agent Bank***

If the Agent Bank fails at any time to determine an Interest Rate or to calculate an Interest Amount, the Note Trustee, or its appointed agent without accepting any liability therefor, may determine such Interest Rate as the case may be, as it considers fair and reasonable in the circumstances (having such regard as it thinks fit to paragraphs (c) or (d) above (as applicable)) or (as the case may be) calculate such Interest Amount, as the case may be, in accordance with paragraphs (c) or (d) above (as applicable), and each such determination or calculation shall be deemed to have been made by the Agent Bank.

In doing so, the Note Trustee shall apply all of these Conditions with any necessary consequential amendments to the extent that, in its sole opinion and with absolute discretion, it can do so and in all other respects it shall do so in such manner as it shall deem fair and reasonable in all circumstances and will not be liable for any loss, liability, cost, charge or expense which may arise as a result thereof, and any such determination and/or calculation made by the Note Trustee shall, save in the case of manifest error, be final and binding on the Issuer, the Noteholders and the Couponholders.

(f) ***Publication of Interest Rates and other Notices***

As soon as practicable after receiving notification thereof, the Issuer will cause each Interest Rate and Interest Amount applicable to each Class of Notes for the relevant Note Interest Period and the immediately succeeding Note Payment Date to be notified to the Irish Stock Exchange (for so long as the Notes are admitted to listing on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require) and will cause notice thereof to be given to the relevant Class of Noteholders in accordance with Condition 18 (*Notices to Noteholders*). The Interest Amounts and the Note Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the Note Interest Period.

(g) ***Notification to be Final***

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6, whether by the Reference Banks (or any of them), the Agent Bank or the Note Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer and all Noteholders, Couponholders and Receiptholders, the Reference Banks, the Agent Bank, the Note Trustee and (in the absence of wilful default, bad faith or manifest error) no liability to the Note Trustee, the Noteholders, the Couponholders or the Receiptholders shall attach to the Issuer, the Reference Banks, the Agent Bank or the Note Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions under this Condition 6.

(h) ***Agent Bank/Reference Banks***

The Issuer shall ensure that, so long as any of the Notes remain outstanding, there shall at all times be four Reference Banks and an Agent Bank approved in writing by the Note Trustee. The Agent Bank may not resign until a successor so approved by the Note Trustee has been appointed. The initial Reference Banks shall be the principal London office of each of The Royal Bank of Scotland plc, HSBC Bank plc, Barclays Bank PLC and Lloyds TSB Bank plc. In the event of the principal London office of any such bank being unable or unwilling to continue to act as a Reference Bank, the Issuer shall appoint such other bank as may have been previously approved by the Note Trustee.

7. **Redemption and Cancellation**

(a) ***Final Redemption***

Unless previously redeemed in full as provided in this Condition 7, the Issuer shall redeem the Notes at their Principal Amount Outstanding on the Note Payment Date falling in October 2038 (the "**Final Maturity Date**"), together with accrued but unpaid interest on the Principal Amount Outstanding of such Notes up to but excluding the date on which such redemption occurs.

The Issuer may not redeem the Notes in whole or in part prior to the Final Maturity Date except as provided below in Condition 7(b) (*Mandatory Redemption from Available Principal Funds*), Condition 7(c) (*Redemption and Cancellation – Substitution/Redemption in Whole for Taxation Reasons*) or Condition 7(d) (*Redemption and Cancellation – Substitution/Redemption in Whole for Other Reasons*), but without prejudice to Condition 11 (*Note Events of Default*).

(b) ***Mandatory Redemption from Available Principal Funds***

On each Note Payment Date, amounts standing to the credit of the Issuer Transaction Account constituting Principal Collections ("**Available Principal Funds**") will be applied by the Cash Administrator (on behalf of the Issuer) in mandatory redemption of the Notes as set out below.

- (i) All Available Principal Funds will be allocated to the redemption of the Notes sequentially beginning with the Most Senior Class of Notes then outstanding and applied in accordance with the Issuer Pre-Enforcement Principal Priority of Payments or Issuer Post-Enforcement Priority of Payments, as applicable.
- (ii) The surplus, if any, shall be paid to the Seller as Deferred Consideration under the Issuer Loan Sale Agreement.

(c) ***Substitution/Redemption in Whole for Taxation Reasons***

If the Issuer at any time satisfies the Note Trustee:

- (i) by reason of a change in Tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, that the

Issuer would be required to deduct or withhold from any payment of principal or interest on the Notes (although the Issuer will not have any obligation to pay additional amounts in respect of such withholding or deduction) any amount for or on account of any Taxes imposed, levied, collected, withheld or assessed by the United Kingdom or any political sub-division thereof or authority thereof or therein having the power to tax (other than by reason of the relevant holder having some connection with the United Kingdom, as the case may be, other than the holding of the Notes or related Coupons and Receipts); or

- (ii) by reason of a change in Tax law (or the application or official interpretation thereof), the Issuer would not be eligible to be taxed in accordance with the Taxation of Securitisation Companies Regulations 2006 and, in such circumstances, would not otherwise be entitled to relief for United Kingdom Tax purposes for any material amount which it is obliged to pay, or would be treated as receiving for United Kingdom Tax purposes any material amount which it is not entitled to receive, in each case under the Issuer Transaction Documents,

then the Issuer shall be obliged to use its reasonable endeavours to mitigate the effects of the occurrence of such event described in Condition 7(c)(i) or Condition 7(c)(ii), including, without limitation, by way of arranging the substitution of another company incorporated in an alternative jurisdiction (approved in writing by the Note Trustee) as principal debtor under the Notes and as lender under the Senior Loan if such substitution would avoid such events outlined in paragraph (a) or paragraph (b) above, as the case may be.

The Note Trustee may agree to the substitution of another company in place of the Issuer in accordance with and subject to the terms of the Note Trust Deed. No Noteholder shall, in connection with any such substitution, be entitled to claim from the Issuer and the Note Trustee any indemnification or payment in respect of any tax consequence of any such substitution upon individual Noteholders.

If the Issuer is unable to effectively mitigate or arrange a substitution as described above or if to do so would not avoid any one or more of the events described in Condition 7(c)(i) or Condition 7(c)(ii) or if substitution would not avoid one or more of the relevant circumstances and, as a result, the Issuer satisfies the Note Trustee immediately before giving the notice referred to below that the event described above is continuing, then on any Note Payment Date, the Issuer shall redeem (without premium or penalty) all (but not some only) of the Notes (in each case) at their Principal Amount Outstanding together with accrued but unpaid interest on the Principal Amount Outstanding of the relevant Classes of Notes up to (but excluding) the Note Payment Date on which such redemption occurs, subject to the following:

- (A) that the Issuer has given not less than ten (10) days prior notice to the Note Trustee, the Paying Agents and the Noteholders in accordance with Condition 18 (*Notices to Noteholders*); and
- (B) that the Issuer has provided to the Note Trustee:
 - (1) a legal opinion in form and substance satisfactory to the Note Trustee from a firm of lawyers in the Issuer's jurisdiction (approved in writing by the Note Trustee), opining on the relevant change in Tax law (or the application or interpretation thereof);
 - (2) a certificate from two directors of the Issuer to the effect that the obligation to make the relevant withholding or deduction or the change in the Tax treatment of the Issuer, as the case may be, cannot be avoided by the Issuer taking reasonable measures; and

- (3) a certificate from two directors of the Issuer to the effect that the Issuer will have the funds on the relevant redemption date, not subject to the interest of any other person, required to redeem the Notes pursuant to this Condition 7(c) and meet its payment obligations of a higher priority under the Issuer Pre-Enforcement Revenue Priority of Payment and the Issuer Pre-Enforcement Principal Priority of Payment.

Any certificate and legal opinion given by or on behalf of the Issuer may be relied on by the Note Trustee without further investigation and shall be conclusive and binding on the Noteholders.

(d) ***Substitution/Redemption in Whole for Other Reasons***

In the event that:

- (i) the Issuer at any time satisfies the Note Trustee (by such means as the Note Trustee may require, including, where appropriate, the delivery to it of legal opinions in form and substance satisfactory to it) that it has or will become unlawful for the Issuer to perform any of its obligations under the Senior Facility Agreement or to fund or maintain its participation in the Senior Loan; or
- (ii) the aggregate Principal Amount Outstanding of the Notes on a Note Payment Date is less than 10 per cent. of the aggregate Principal Amount Outstanding of the Notes as at the Closing Date,

then the Issuer, in accordance with the Issuer Payment Priorities shall, in relation to the occurrence of any event described in paragraph (i) above, and may, in relation to the occurrence of any event described in paragraph (ii) above (upon giving not less than ten (10) days prior notice to the Note Trustee, the Paying Agents and the Noteholders in accordance with Condition 18 (*Notices to Noteholders*)), redeem on the next following Note Payment Date (without premium or penalty) all (but not some only) of the Notes at their Principal Amount Outstanding together with accrued but unpaid interest.

(e) ***Note Principal Payment***

Where any principal amount is received by the Issuer pursuant to, as the case may be, Condition 7(a) (*Redemption and Cancellation – Final Redemption*), Condition 7(b) (*Redemption and Cancellation – Mandatory Redemption from Available Principal Funds*), Condition 7(c) (*Redemption and Cancellation – Substitution/Redemption in Whole for Taxation Reasons*) or Condition 7(d) (*Redemption and Cancellation – Substitution/Redemption in Whole for Other Reasons*) and a corresponding amount is to be applied by the Issuer in the redemption of a Class or Classes of Notes, in whole or in part, such corresponding amount shall be applied by the Issuer to redeem the aggregate Principal Amount Outstanding of the Notes (rounded down to the nearest penny) (the "**Note Principal Payment**").

(f) ***Calculation of Note Principal Payments and Principal Amount Outstanding***

On each Calculation Date, the Issuer shall determine or shall cause to be determined:

- (i) if there is to be a partial or whole redemption of the Notes or any Class thereof pursuant to Condition 7(a) (*Redemption and Cancellation – Final Redemption*), Condition 7(b) (*Redemption and Cancellation – Mandatory Redemption from Available Principal Funds*), Condition 7(c) (*Redemption and Cancellation – Substitution/Redemption in Whole for Taxation Reasons*) or Condition 7(d) (*Redemption and Cancellation – Substitution/Redemption in Whole for Other Reasons*) the amount of any Note Principal Payment due on such Note Payment Date; and

- (ii) the Principal Amount Outstanding of each Note on such Note Payment Date (after deducting any Note Principal Payment to be paid on that Note Payment Date).

Each determination by or on behalf of the Issuer (or the Cash Administrator on its behalf) of any Note Principal Payment and the Principal Amount Outstanding of a Note shall in each case (in the absence of wilful default, bad faith or manifest error) be final and binding on all persons.

Within five (5) Note Business Days after each Note Payment Date, the Issuer (or the Agent Bank on its behalf) will notify the Irish Stock Exchange of the aggregate Principal Amount Outstanding of each Class of Notes.

(g) ***Notice of Redemption***

Any such notice as is referred to in Condition 7(b) (*Mandatory Redemption from Available Principal Funds*), Condition 7(c) (*Redemption and Cancellation – Substitution/Redemption in Whole for Taxation Reasons*) or Condition 7(d) (*Redemption and Cancellation – Substitution/Redemption in Whole for Other Reasons*) shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the relevant Notes at the applicable amounts specified in these Conditions.

(h) ***Cancellation***

All Notes redeemed in full together with payment of all accrued but unpaid interest or surrendered pursuant to Condition 17 (*Replacement of Notes, Coupons, Receipts and Talons*) will be cancelled upon redemption or surrender, together with any unmatured Coupons, Receipts and Talons (if any) appertaining thereto and attached thereto or surrendered therewith, and may not be resold or re-issued.

8. **Payments**

(a) ***Payments of Interest and Principal***

Payments of interest in respect of the Definitive Notes will (subject as provided in Condition 8(c) (*Payments – Deductions for Unmatured Coupons for Notes Void*) and Condition 8(e) (*Payments – Payments of Interest on Improperly Withheld or Refused Notes*)) be made only against presentation and surrender of the relevant Coupons at the Specified Office of any Paying Agent and otherwise in accordance with the provisions of this Condition. Payments of principal and premium (if any) in respect of the Definitive Notes will be made against presentation and surrender of the relevant Receipts (except where, after such presentation and surrender, the unpaid principal amount of a Definitive Note would be reduced to zero (including as a result of any other payment of principal due in respect of such Definitive Note) in which case each payment of principal will be made against presentation and surrender of such Definitive Note) at the Specified Office of any Paying Agent. Each such payment will be made in respect of the Notes, in Sterling at the Specified Office of any Paying Agent by Sterling cheque drawn on or, at the option of the holder, by transfer to a Sterling account maintained by the payee with, a bank in London.

(b) ***Payments Subject to Fiscal Laws***

Payment of principal and interest in respect of the Notes are subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment and to the provisions of the Agency Agreement and the Deed of Charge.

(c) ***Deductions for Unmatured Coupons for Notes Void***

On the date upon which any Note becomes due and payable in full pursuant to Condition 7 (*Redemption and Cancellation*), unmatured Coupons, Receipts and Talons (if any) appertaining thereto (whether or not attached to such Note) shall become void and no payment shall be made in respect thereof. If the due date for redemption of any Note is

not a Note Payment Date, accrued interest will be paid only against presentation and surrender of the relevant Note.

(d) ***Presentation on Non-Business Days***

If the due date for payment of any amount in respect of any Note, Coupon or Receipt is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(e) ***Payments of Interest on Improperly Withheld or Refused Notes***

If any amount of principal or premium (if any) is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note in accordance with Condition 6 (*Interest*) will be paid against presentation of such Note at the Specified Office of any Paying Agent.

(f) ***Other Interest***

Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agents outside the United States.

(g) ***Partial Payments***

If a Paying Agent makes a partial payment in respect of any Note, Coupon or Receipt presented to it for payment, such Paying Agent will endorse on such Note, Coupon or Receipt a statement indicating the amount and date of such payment.

(h) ***Exchange of Talons***

On or after the relevant Note Payment Date on which the final Coupon or Receipt forming part of a Coupon or Receipt sheet is surrendered, each Talon forming part of such Coupon or Receipt sheet may be surrendered at the Specified Office of any Paying Agent for a further Coupon or Receipt sheet (including a further Talon) but excluding any Coupons or Receipts in respect of which claims have already become void pursuant to Condition 10 (*Prescription*). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon or Receipt will be delivered in respect of such Talon.

9. **Taxation**

(a) ***Payments Free of Tax***

All payments of principal and interest in respect of the Notes, Coupons or Receipts shall be made free and clear of, and without withholding or deduction for or on account of any present or future Taxes unless the Issuer, the Note Trustee or any Paying Agent is required by applicable law to make any payment in respect of the Notes, Coupons or Receipts subject to any such withholding or deduction. In that event, the Issuer, the Note Trustee or such Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted.

(b) ***No Payment of Additional Amounts***

None of the Issuer, the Note Trustee or any Paying Agent will be obliged to make any additional payments to holders of Notes, Coupons or Receipts in respect of such withholding or deduction as is referred to in Condition 9(a) (*Taxation – Payments Free of Tax*).

(c) ***Taxing Jurisdiction***

If the Issuer becomes subject at any time to any taxing jurisdiction other than the Issuer's jurisdiction of incorporation, references in these Conditions to the Issuer's jurisdiction shall be construed as references to the Issuer's jurisdiction of incorporation and/or such other jurisdiction.

(d) ***Tax Deduction Not Note Event of Default***

If the Issuer, the Note Trustee or any Paying Agent is required to make a withholding or deduction as is referred to in Condition 9(a) (*Taxation – Payments Free of Tax*), this shall not constitute a Note Event of Default.

10. **Prescription**

(a) ***Principal***

Notes and Receipts (which expression shall not in this Condition 10 include Talons) shall become void unless presented for payment within a period of ten (10) years from the relevant date in respect thereof.

(b) ***Interest***

Coupons shall become void unless presented for payment within a period of five (5) years from the relevant date in respect thereof.

(c) ***Note, Coupon or Receipt***

After the date on which a Note, Coupon or a Receipt becomes void, no claim may be made in respect thereof.

(d) ***Relevant Date***

For the purpose of this Condition, the "**relevant date**" in respect of a Note, Coupon or Receipt is the date on which a payment in respect thereof first becomes due or (if the full amount of the monies payable in respect of all the Notes, Coupons or Receipts due on or before the date has not been duly received by the Paying Agents or the Note Trustee on or prior to such date) the date on which notice that the full amount of such monies has not been received is duly given to the Noteholders in accordance with Condition 18 (*Notices to Noteholders*).

11. **Note Events of Default**

(a) ***Note Events of Default***

Each and any of the following events shall be treated as a "**Note Event of Default**":

(i) ***Non-payment***: default is made for a period of three (3) Note Business Days in the payment of principal in respect of any Class of Notes when due in accordance with these Conditions, or default is made for a period of three (3) Note Business Days in the payment of interest on the Most Senior Class of Notes when due in accordance with these Conditions;

(ii) ***Breach of Other Obligations***: default is made by the Issuer in the performance or observance of any other obligation, condition, provision, representation or warranty binding upon or made by it under the Notes or the Issuer Transaction Documents (other than any obligation whose breach would give rise to the Note Event of Default provided for in Condition 11(a)(i)), and, except where in the opinion of the Note Trustee such default is not capable of remedy, such default continues for a period of thirty (30) Note Business Days (or such longer period as the Note Trustee may permit) after written notice by the Note Trustee to the Issuer requiring the same to be remedied;

- (iii) *Insolvency Event*: an Insolvency Event occurs in relation to the Issuer; or
- (iv) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Trust Documents.

(b) ***Delivery of Note Enforcement Notice***

If a Note Event of Default occurs and is continuing, the Note Trustee may at its discretion and shall:

- (i) if so requested in writing by the holders of at least 25 per cent. of the Principal Amount Outstanding of the Most Senior Class of Notes then outstanding; or
- (ii) if so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding,

deliver a Note Enforcement Notice to the Issuer and the other Issuer Transaction Parties and upon receipt of such Note Enforcement Notice the Issuer shall notify the Rating Agency that a Note Enforcement Notice has been so delivered.

(c) ***Conditions to Delivery of Note Enforcement Notice***

Notwithstanding Condition 11(b) (*Note Events of Default – Delivery of Note Enforcement Notice*), the Note Trustee:

- (i) shall not deliver a Note Enforcement Notice unless, in the case of the occurrence of any of the events mentioned in Condition 11(a)(ii) (*Note Events of Default – Breach of Other Obligations*), the Note Trustee shall have certified in writing that the happening of such event is in its opinion materially prejudicial to the interests of the holders of the Most Senior Class of Notes; and
- (ii) shall not be obliged to deliver a Note Enforcement Notice unless it shall have been indemnified and/or secured and/or pre-funded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

(d) ***Consequences of Notes becoming Due and Payable and Delivery of Note Enforcement Notice***

Upon the delivery of a Note Enforcement Notice, all Classes of the Notes then outstanding shall immediately become due and repayable at their Principal Amount Outstanding together with accrued interest as provided in the Note Trust Deed and the Issuer Security shall become enforceable by the Note Trustee in accordance with the Deed of Charge.

12. **Enforcement**

(a) ***Proceedings***

In all cases subject to paragraphs (b)(iii) and (b)(iv) of this Condition 12 (*Enforcement*):

- (i) the Note Trustee may, at any time after the delivery of a Note Enforcement Notice, at its discretion and without notice, take such steps as it thinks fit to enforce the whole or any part of the Issuer Security and appoint one or more persons to be an administrator of the Issuer subject to the Note Trustee having been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing;
- (ii) subject to paragraph (a)(iii) of this Condition 12 (*Enforcement*) below, at any time after the delivery of a Note Enforcement Notice the Note Trustee may

appoint one or more persons (as it thinks fit) to be a Receiver or Receivers of the Issuer Secured Property or any part thereto to act jointly or jointly and severally as receiver, manager, administrative receiver, compulsory or interim manager or other similar officer as the Note Trustee shall determine subject to the Note Trustee having been indemnified and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing;

- (iii) if: (a) any person who is entitled to do so presents an application for the appointment of an administrator of the Issuer; (b) a notice of intention to appoint an administrator of the Issuer is received by the Note Trustee; or (c) documents are filed with a competent court or registrar for the administration of the Issuer (whether out of court or otherwise), the Note Trustee shall:
 - (A) (if the Note Trustee has not been provided with evidence in accordance with paragraph (b)(iii) of this Condition 12 (*Enforcement*) that there is one Sole Noteholder in respect of all the Notes of all the Classes then outstanding) upon receipt of such notice or upon being notified or otherwise becoming aware of such application or thing; or
 - (B) (if the Note Trustee has evidence in accordance with paragraph (b)(iii) of this Condition 12 (*Enforcement*) that there is one Sole Noteholder in respect of all the Notes of all the Classes then outstanding) only if so instructed in writing by the Sole Noteholder,

appoint by writing or deed, such person or persons (including an officer or officers of the Note Trustee) as the Note Trustee considers appropriate to be an administrative receiver of the Issuer and, in the case of the appointment of more than one person, to act together or independently from the other or others, subject to the Note Trustee having been indemnified and/or secured and/or pre-funded to its satisfaction and such appointment must (where possible) take effect upon the final day by which the appointment must be made in order to prevent an administration proceeding or (where the Issuer or the directors of the Issuer have initiated the administration) not later than that final day. The Note Trustee agrees pursuant to the Deed of Charge that in respect of the appointment of an Administrative Receiver pursuant to clause 17.3.1 of the Deed of Charge and this paragraph (a)(iii) of this Condition 12 (*Enforcement*) it is adequately indemnified, prefunded and secured to its satisfaction against all Liabilities in respect of such appointment pursuant to its rights against the Issuer under clause 30 (*Remuneration*) of the Note Trust Deed, and the Security it has in respect of such rights (the amount of such indemnity forming part of the Issuer Secured Liabilities in the Deed of Charge).

Only the Note Trustee may pursue the remedies available under the general law or under the Trust Documents to enforce the Issuer Security and no Noteholder, Couponholder, Receiptholders or other Issuer Secured Party shall be entitled to proceed directly against the Issuer to enforce the Issuer Security. In particular, none of the Noteholders and Couponholders and Couponholders or any other Issuer Secured Party (nor any person on its or their behalf, other than the Note Trustee where appropriate) are entitled:

- (i) otherwise than as permitted by these Conditions, to direct the Note Trustee to enforce the Issuer Security or take any proceedings against the Issuer to enforce the Security;
- (ii) to take or join any person in taking any steps against the Issuer for the purpose of obtaining payment of any amount due from the Issuer to such Noteholders and Couponholders or any other Issuer Secured Party; or
- (iii) until the date falling two years after the Final Discharge Date, to initiate or join any person in initiating any Insolvency Proceeding in relation to the Issuer; or

- (iv) to take or join in the taking of any steps or proceedings which would result in the Issuer Payment Priorities not being observed; or
- (v) the Note Trustee may not, while any of the Notes are outstanding, be required to enforce the Issuer Security at the request of any other Issuer Secured Party under the Deed of Charge.

(b) ***Restrictions on Enforcement***

- (i) The Note Trustee shall not be bound to take any such proceedings or steps to enforce the Issuer Security unless:
 - (A) if so requested in writing by the holders of at least 25 per cent. of the Principal Amount Outstanding of the Most Senior Class of Notes then outstanding; or
 - (B) if so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding,

and in each case, only if it shall have been indemnified and/or secured and/or pre-funded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

- (ii) If a Note Enforcement Notice has been delivered by the Note Trustee otherwise than by reason of Condition 11(a)(i) (*Note Events of Default – Non Payment*), the Note Trustee will not be entitled to dispose of the Issuer Secured Property or any part thereof unless either:
 - (A) a sufficient amount would be realised to allow payment in full of all amounts owing to the Noteholders of each Class of Notes after payment of all other claims ranking in priority to the Notes in accordance with the Issuer Post-Enforcement Priority of Payments; or
 - (B) an investment bank or other financial adviser selected by the Note Trustee is of the opinion, which shall be binding on the Noteholders and the other Issuer Secured Parties (and if the Note Trustee is unable to obtain such opinion having made reasonable efforts to do so, this sub-paragraph (ii) shall not apply) that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts due in respect of the Notes of each Class of Notes after payment of all other claims ranking in priority to the Notes in accordance with the Issuer Post-Enforcement Priority of Payments and the resulting shortfall would be greater than the shortfall that would result from such disposal,

and the Note Trustee shall not be bound to obtain the opinion referred to in this Condition 12(b) unless the Note Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

- (iii) If a person, either (i) blocks in its account with Euroclear or Clearstream, Luxembourg or any other relevant clearing system all the Notes of all the classes then outstanding and provides the Note Trustee with proof of holding from Euroclear or Clearstream, Luxembourg or any such other relevant clearing system evidencing its holding of such Notes; or (ii) otherwise provides evidence satisfactory to the Note Trustee that it is the Sole Noteholder in respect of all the Notes of all the Classes then outstanding, then in either case, for so long as the Note Trustee has such evidence that there is one Sole Noteholder, the Note Trustee:

- (A) shall inform the Sole Noteholder prior to delivering a Note Enforcement Notice or taking any proceedings or steps to enforce or exercise any rights in connection with the Issuer Security (including the delivery of a Security Protection Notice) or to exercise any right to direct the Borrower Security Trustee to enforce the Borrower Security; and
- (B) notwithstanding any other provision of Condition 11(b) (*Note Events of Default*) or this Condition 12 (*Enforcement*), but subject to the Note Trustee being indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur in so doing (and, in relation to the actions described in paragraph (a)(iii) of this Condition 12 (*Enforcement*) the Note Trustee agrees pursuant to the Deed of Charge that in respect of the appointment of an Administrative Receiver pursuant to clause 17.3.1 of the Deed of Charge and paragraph (a)(iii) of this Condition 12 (*Enforcement*) it is adequately indemnified, prefunded and secured to its satisfaction against all Liabilities in respect of such appointment pursuant to its rights against the Issuer under clause 30 (*Remuneration*) of the Note Trust Deed, and the Security it has in respect of such rights (the amount of such indemnity forming part of the Issuer Secured Liabilities in the Deed of Charge)), the Note Trustee shall not deliver a Note Enforcement Notice or take any proceedings or step to enforce or exercise any rights in connection with the Issuer Security (including the delivery of a Security Protection Notice) or to exercise any right to direct the Borrower Security Trustee to enforce the Borrower Security without first obtaining the consent of the Sole Noteholder in writing and shall act on any instructions of the Sole Noteholder received in writing in connection therewith.
- (iv) Until it is provided with evidence in accordance with paragraph (b)(iii) of this Condition 12 (*Enforcement*), the Note Trustee shall be entitled to assume that there is no Sole Noteholder and shall have no Liability to any person for so doing. The Note Trustee shall not have any Liability whatsoever to the Issuer, the Noteholders or any other Issuer Secured Party or Borrower Secured Party, or any other person for any action taken or not taken by the Note Trustee, or any delay in taking any action by the Note Trustee in accordance or in connection with any consent or instruction received from the Sole Noteholder or in connection with any consent or instruction required from the Sole Noteholder or as a result of or in connection with the Note Trustee waiting for any consent or instruction from the Sole Noteholder pursuant to the operation of paragraphs (a)(iii), (b)(iii)(A) and/or (b)(iii)(B) of this Condition 12 (*Enforcement*).

(c) ***Issuer Post-Enforcement Priority of Payments***

All monies received by the Issuer or the Note Trustee following the delivery of a Note Enforcement Notice, including all monies standing to the credit of the Issuer Accounts other than the Liquidity Stand-by Account (which are to be paid directly and only to the Liquidity Facility Provider) and the Issuer Profit Account will be applied in accordance with the following priority of payments (the "**Issuer Post-Enforcement Priority of Payments**"):

- (i) *first*, in or towards satisfaction, *pro rata* and *pari passu*, of the amounts due in respect of the fees and other remuneration and indemnity payments (if any) payable to the Note Trustee and any Receiver and other appointees (if any) appointed by the Note Trustee under the Trust Documents and any Liabilities incurred by the Note Trustee and any Receiver and other appointees (if any) (as the case may be) under the provisions of the Trust Documents and any other amounts payable to the Note Trustee under the Trust Documents, together with interest thereon as provided for therein;

- (ii) *second*, in or towards satisfaction, *pro rata* and *pari passu*, of the amounts due in respect of any amounts due and owing by the Issuer in respect of:
 - (i) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Paying Agents and the Agent Bank incurred under the Agency Agreement;
 - (ii) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Liquidity Facility Provider under the Liquidity Facility Agreement (other than in respect of any Liquidity Facility Subordinated Amounts and excluding, for the avoidance of doubt, any payments of principal and interest that fall in Paragraph (iv) below);
 - (iii) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Issuer Account Bank under the Issuer Account Bank Agreement;
 - (iv) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Servicer (including any substitute Servicer appointed in accordance therewith) and the Special Servicer (including any substitute Special Servicer appointed in connection therewith) pursuant to the Servicing Agreement;
 - (v) the fees, other remuneration, indemnity payments, costs, charges, and expenses of the Cash Administrator under the Cash Administration Agreement;
 - (vi) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Corporate Services Provider under the Corporate Services Agreement in respect of services provided to the Issuer and Issuer HoldCo; and
 - (vii) the fees principal, interest, and any other amounts due and payable to the Property Protection Advance Provider (if any);
- (iii) *third*, payment of any Issuer Profit Amount to be credited to the Issuer Profit Account;
- (iv) *fourth*, in or towards satisfaction of payment of all amounts of principal, interest and other amounts due but unpaid to the Liquidity Facility Provider under the Liquidity Facility Agreement (other than in respect of any Liquidity Facility Subordinated Amounts);
- (v) *fifth*, in or towards satisfaction, *pro rata* and *pari passu*, of any amounts of interest due but unpaid under the Class A Notes;
- (vi) *sixth*, in or towards satisfaction, *pro rata* and *pari passu*, of any amounts of principal and all other amounts then due under the Class A Notes;
- (vii) *seventh*, in or towards satisfaction, *pro rata* and *pari passu*, of any amounts of interest due but unpaid under the Class B Notes;
- (viii) *eighth*, in or towards satisfaction, *pro rata* and *pari passu*, of any amounts of principal and all other amounts then due under the Class B Notes;
- (ix) *ninth*, in or towards satisfaction, *pro rata* and *pari passu*, of any amounts of interest due but unpaid under the Class C Notes;
- (x) *tenth*, in or towards satisfaction, *pro rata* and *pari passu*, of any amounts of principal and all other amounts then due under the Class C Notes;

- (xi) *eleventh*, in or towards payment of any Liquidity Facility Subordinated Amounts payable to the Liquidity Facility Provider;
- (xii) *twelfth*, the surplus, if any, to be paid to the Seller as Deferred Consideration under the Issuer Loan Sale Agreement.

13. **Limited Recourse**

13.1 If at any time following:

- (a) the occurrence of either:
 - (i) the Final Maturity Date or any earlier date upon which all of the Notes of each class are due and payable; or
 - (ii) the service of a Note Enforcement Notice; and
- (b) realisation of the Issuer Secured Property and application in full of any amounts available to pay amounts due and payable under the Notes in accordance with the applicable Issuer Payment Priorities; and

the proceeds of such Realisation are insufficient, after payment of all other claims ranking in priority in accordance with the applicable Issuer Payment Priorities, to pay in full all amounts then due and payable under any Class of Notes then the amount remaining to be paid (after such application in full of the amounts first referred to in (b) above) under such Class of Notes (and any Class of Notes junior to that Class of Notes) shall, on the day following such application in full of the amounts referred to in (b) above, cease to be due and payable by the Issuer. For the purposes of this Condition 13, "**Realisation**" means, in relation to any Issuer Secured Property, the deriving, to the fullest extent practicable, of proceeds from or in respect of such Issuer Secured Property including (without limitation) through sale or through performance by an obligor in accordance with the provisions of the Transaction Documents.

14. **Meetings of Noteholders**

(a) ***Convening***

The Note Trust Deed contains provisions for convening separate or combined Meetings of Noteholders of any Class to consider any matters relating to the Notes, including the sanctioning by Extraordinary Resolution of a modification of the provisions of the Note Trust Deed, the Notes or these Conditions or the provisions of any of the other Issuer Transaction Documents. Meetings of Noteholders to vote on Extraordinary Resolutions or Ordinary Resolutions may be convened on not less than twenty-one (21) days notice.

(b) ***Request from Noteholders***

A meeting of Noteholders (or any Class of Classes thereof) may be convened by the Note Trustee or the Issuer at any time and must be convened by the Issuer upon the request in writing of Noteholders of particular Class or Classes holding not less than 10 per cent. of the aggregate Principal Amount Outstanding of the outstanding Notes of that Class or those Classes.

(c) ***Quorum***

The Note Trust Deed provides that the quorum at any Meeting of Noteholders convened to vote on:

- (i) an Ordinary Resolution relating to a particular Class or Classes of Notes will be one (1) or more persons present holding voting certificates or being proxies and holding or representing not less than one-tenth of the aggregate Principal Amount Outstanding of the Notes of the relevant Class or Classes of Notes then outstanding or, at any adjourned Meeting of Noteholders, one or more persons

being or representing the Noteholders, whatever the aggregate Principal Amount Outstanding of the Notes (or any Class thereof) so held or represented;

- (ii) an Extraordinary Resolution relating to a particular Class or Classes of Notes, other than regarding a Reserved Matter or an Excluded Matter, will be one (1) or more persons present holding voting certificates or being proxies and holding or representing more than one-half of the aggregate Principal Amount Outstanding of the Notes of the relevant Class or Classes of Notes then outstanding or, at any adjourned Meeting of Noteholders, one (1) or more such persons, whatever the aggregate Principal Amount Outstanding of the Notes of the relevant Class so held or represented; and
- (iii) an Extraordinary Resolution relating to a Reserved Matter or an Excluded Matter (which must be proposed separately to each Class of Noteholders entitled to vote), will be one (1) or more persons present holding voting certificates or being proxies and holding or representing not less than three-quarters of the aggregate Principal Amount Outstanding of the Notes of the relevant Class then outstanding or, at any adjourned Meeting of Noteholders, one (1) or more such persons holding or representing not less than one-third of the Principal Amount Outstanding of the Notes of the relevant Class.

(d) ***Relationship Between Classes***

In relation to each Class of Notes:

- (i) subject to paragraphs (ii) and (iii) below, any Ordinary Resolution or Extraordinary Resolution passed at a Meeting of Noteholders of one Class of Notes duly convened and held in accordance with the Note Trust Deed to approve any matter other than a Reserved Matter or Excluded Matter shall, if such Class is the Most Senior Class of Notes outstanding, be binding upon all Classes of Noteholders ranking junior thereto (to the extent that there are any) and the holders of the Coupons and Receipts relating thereto;
- (ii) no Extraordinary Resolution passed at a Meeting of Noteholders of one Class of Notes, duly convened and held for that purpose, to sanction a modification of the Conditions, the Notes, or the provisions of any Issuer Transaction Document or a waiver or authorisation of any breach or proposed breach thereof, shall be effective unless sanctioned by an Extraordinary Resolution of the holders of each other Class of Notes outstanding at separate meetings convened for that purpose to approve any matter other than in respect of a Reserved Matter or an Excluded Matter unless the Note Trustee considers that the interests of the holders of such other Class of Notes (and the holders of the Coupons and Receipts relating thereto) would not be materially prejudiced by the implementation of such first mentioned Extraordinary Resolution;
- (iii) no Extraordinary Resolution involving an Excluded Matter or a Reserved Matter that is passed by the holders of one Class of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each other Class of Notes outstanding passed at separate meetings duly convened and held for that purpose, save that an Extraordinary Resolution of the Class B Notes and/or the Class C Notes (save where such Class is the Most Senior Class of Notes outstanding) shall not be required if such Class fails to satisfy the Instructing Junior Class Test at the relevant time; and
- (iv) any resolution passed at a Meeting of Noteholders of one or more Classes of Notes duly convened and held in accordance with the Note Trust Deed shall be binding upon all Noteholders of such Class or Classes, whether or not present at such Meeting of Noteholders and whether or not voting.

(e) **Ordinary Resolutions**

A Meeting of Noteholders shall have the power (exercisable only by Extraordinary Resolution), without prejudice to any other powers conferred on it or any other person, to approve any matter put to the Noteholders for approval, save where the relevant provision of an Issuer Transaction Document specifies that such decision shall be made by way of Ordinary Resolution, whereby such decision may be passed either by way of Ordinary Resolution or Extraordinary Resolution.

(f) ***Resolutions in Writing***

A Written Resolution shall take effect as if it were an Extraordinary Resolution.

15. **Modification, Waiver and Substitution**

(a) ***Modification***

(i) The Note Trustee may (other than in the case of paragraph (A) below, in respect of a Reserved Matter) concur, at any time and from time to time, without the consent or sanction of the Noteholders, the Couponholders, the Receiptholders or any other Issuer Secured Parties, with the Issuer and/or any other relevant party to any of the Issuer Transaction Documents in making any modification, to these Conditions, the Trust Documents, the Notes or the other Issuer Transaction Documents to which it is a party or over which it has security, or give its consent to any event, matter or thing, if:

- (A) in its opinion, the interests of the holders of all Classes of Notes then outstanding would not be materially prejudiced thereby;
- (B) such modification is required or permitted, subject to the satisfaction of specified conditions under the terms of these Conditions or the Issuer Transaction Documents provided such conditions are satisfied; or
- (C) in relation to any modification, if in its opinion, it is required to correct a manifest error or an error in respect of which an English Court could reasonably be expected to make a rectification order or is of a formal, minor, administrative or technical nature.

(ii) The Note Trust Deed provides that the Issuer may, at any time and from time to time, request the Note Trustee to make modifications to the Conditions, the Trust Documents, the Notes or any other Issuer Transaction Documents without the consent of the Noteholders or any other Issuer Secured Party and irrespective of whether such modifications are: (i) materially prejudicial to the interests of the Noteholders of any Class or any other Issuer Secured Party; or (ii) in respect of a Reserved Matter (any such modification, a "**Transaction Amendments**"). For the avoidance of doubt, a Transaction Amendment shall only be effective if the Issuer and any other party (including any Issuer Secured Party) to the relevant document agrees to such Transaction Amendment.

Subject to the satisfaction of the Amendment Condition (as defined below) and Conditions 15(a)(iii) to 15(a)15(v), the Note Trustee shall concur with the Issuer in making such modifications as are required to give effect to a Transaction Amendment.

"**Amendment Conditions**" means delivery to the Note Trustee of a certificate signed by two Directors of the Issuer confirming that:

- (A) the Transaction Amendments:
 - (1) are required to implement the new credit rating criteria of the Rating Agency; or
 - (2) have been discussed with the Rating Agency itself; and

in either case, to maintain or improve the then current credit ratings of the Most Senior Class of Notes then outstanding; and

- (B) the Transaction Amendments only implement the new credit rating criteria of the Rating Agency, or the amendments discussed with the Rating Agency, as the case may be, to the extent required to maintain or improve the then current credit ratings of the Most Senior Class of Notes then outstanding; and
 - (C) the Rating Agency then rating the Notes has been notified by the Issuer of the proposed Transaction Amendments and, following such notification, the Issuer is not aware that the credit ratings of the Most Senior Class of Notes then outstanding would be adversely affected by the proposed Transaction Amendments.
- (iii) In respect of a Transaction Amendment pursuant to paragraph (ii)(A)(2) above only, the Trustee may, at its discretion, additionally confirm to its satisfaction such discussions with the Rating Agency itself.
- (iv) The Note Trustee shall not be obliged to agree to any Transaction Amendment which, in the opinion of the Note Trustee, would have the effect of:
- (A) exposing the Note Trustee to any Liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction; or
 - (B) increasing its obligations or duties or decreasing its protections, either in its personal capacity or as Note Trustee under the Issuer Transaction Documents and/or the Conditions.
- (v) Notwithstanding anything to the contrary in these Conditions or the Issuer Transaction Documents, when implementing any Transaction Amendment pursuant to Condition 15(a)(ii) the Note Trustee shall not consider the interests of the Noteholders, any other Issuer Secured Party or any other person, shall act and rely solely and without further investigation on any certificate provided to it by the Issuer pursuant to this Condition 15(a)(ii) and shall not be liable to any Noteholder or other Issuer Secured Party for so acting or relying.

The Issuer shall be required to convene a Meeting of Noteholders at the request of the Servicer or, as the case may be, the Special Servicer where the Servicer or, as the case may be, the Special Servicer has determined that Noteholder consent is necessary in connection with a waiver, modification or amendment to a Borrower Transaction Document under the terms of the Servicing Agreement.

(b) ***Waiver of Breach***

The Note Trustee may, if the condition in Condition 15(a)(i)(A) (*Modification, Waiver and Substitution - Modification*) is satisfied, without the consent or sanction of the Noteholders, the Couponholders, the Receiptholders or any other Issuer Secured Parties:

- (i) authorise or waive any proposed breach or breach of the covenants or provisions contained in the Trust Documents, the Notes or any of the other Issuer Transaction Documents; or
- (ii) determine that any Note Event of Default or Potential Note Event of Default shall not, or shall not subject to specified conditions, be treated as such,

provided that, in each case, the Issuer has notified the Rating Agency in advance of such determination.

(c) ***Restriction on and Power to Modify or Waive***

The Note Trustee shall not exercise any powers conferred upon it by Condition 15(a)(i) (*Modification, Waiver and Substitution - Modification*) or Condition 15(b) (*Modification, Waiver and Substitution - Waiver of Breach*) in contravention of any express direction by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding or of a request or direction in writing made by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding (but no such direction or request shall affect (a) any modification, authorisation, waiver or determination previously given or made; or (b) shall authorise or waive any proposed breach or breach relating to a Reserved Matter unless each Class of Notes then outstanding, has by Extraordinary Resolution, so authorised its exercise), save that an Extraordinary Resolution of the Class B Notes and/or the Class C Notes (save where such Class is the Most Senior Class of Notes outstanding) shall not be required if such Class fails to satisfy the Instructing Junior Class Test at the relevant time.

(d) ***Reserved Matters***

No modification that constitutes a Reserved Matter may be approved by the Note Trustee pursuant to Condition 15(a)(i)(A) unless approved by each Class of Noteholders then outstanding by way of Extraordinary Resolution, save that an Extraordinary Resolution of the Class B Notes and/or the Class C Notes (save where such Class is the Most Senior Class of Notes outstanding) shall not be required if such Class fails to satisfy the Instructing Junior Class Test at the relevant time.

(e) ***Notification***

Unless the Note Trustee otherwise agrees, the Issuer shall cause any such authorisation, waiver, modification or determination to be notified to the Noteholders and the other Issuer Secured Parties in accordance with Condition 18 (*Notices to Noteholders*) and the Issuer Transaction Documents, as soon as practicable after it has been made.

(f) ***Binding Nature***

Any authorisation, waiver, determination or modification referred to in Condition 15(a) (*Modification, Waiver and Substitution - Modification*) or Condition 15(b) (*Modification, Waiver and Substitution - Waiver of Breach*) shall be binding on the Noteholders, the Couponholders, the Receiptholders and the other Issuer Secured Parties.

(g) ***Substitution of Principal Debtor***

If any of the events listed in Condition 7(c) (*Redemption and Cancellation - Substitution/Redemption in Whole for Taxation Reasons*) is subsisting, the Note Trustee will agree, subject to such amendments of these Conditions and of any of the Issuer Transaction Documents and to such other conditions as the Note Trustee (in the interest of the Noteholders) may require and subject to the terms of the Note Trust Deed, but without the consent of the Noteholders or the Couponholders or the Receiptholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Note Trust Deed and the Notes and in respect of the other Issuer Secured Liabilities, subject to the Notes being unconditionally and irrevocably guaranteed by the Issuer (unless all or substantially all of the assets of the Issuer are transferred to such body corporate) and to such body corporate being a single purpose vehicle and undertaking itself to be bound by provisions corresponding to those set out in Condition 5 (*Issuer Covenants*) and the covenants applying to the Issuer under the Note Trust Deed.

16. **Note Trustee and Agents**

(a) ***Note Trustee's Right to Indemnity***

Under the Issuer Transaction Documents, the Note Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid or reimbursed any Liabilities incurred by it in priority to the claims of the Noteholders. In addition, the Note Trustee and its related companies are entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

(b) ***Note Trustee Not Responsible for Loss or for Monitoring***

The Note Trustee will not be responsible for any loss, expense or Liability which may be suffered as a result of any assets comprised in the Issuer Security or any documents of title thereto being uninsured or inadequately insured or being held by or to the order of any person on behalf of the Note Trustee. The Note Trustee shall not be responsible for monitoring the compliance of any of the other parties to the Issuer Transaction Documents or the Borrower Transaction Documents with their obligations under the Issuer Transaction Documents or as the case may be, the Borrower Transaction Documents.

(c) ***Appointment and Removal of Note Trustees***

The power of appointing a new trustee of the Trust Documents shall be vested in the Issuer, but no person shall be appointed who shall not previously have been approved by an Extraordinary Resolution of the Noteholders in accordance with the Note Trust Deed. One or more persons may hold office as trustee or trustees of the Trust Documents, **provided that** such trustee or trustees shall be (if there is only one) or include (if there is more than one) a trust corporation. Any appointment of a new trustee of the Trust Documents shall as soon as practicable thereafter be notified by the Issuer to the Paying Agents, the Rating Agency and the Noteholders. The Noteholders shall together have the power, exercisable by Extraordinary Resolution, to remove any trustee or trustees for the time being of the Trust Documents. The removal of any trustee shall not become effective unless there remains a trustee of the Trust Documents (being a trust corporation) in office after such removal.

(d) ***Paying Agents and Agent Bank Solely Agents of Issuer***

In acting under the Agency Agreement and in connection with the Notes, the Coupons and the Receipts, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Note Trustee and do not assume any obligations towards, or relationship of agency or trust for or with, any of the Noteholders, the Couponholders or the Receiptholders.

(e) ***Initial Paying Agents and Agent Bank***

The initial Paying Agents and the Agent Bank and their initial Specified Offices are listed in the Notice Details. The Issuer reserves the right (subject to the prior written approval of the Note Trustee) to vary or terminate the appointment of any Paying Agent or Agent Bank and to appoint a successor principal paying agent or agent bank and additional or successor paying agents at any time, having given not less than thirty (30) days notice to such Paying Agent or, as the case may be, the Agent Bank.

(f) ***Maintenance of Agents***

The Issuer will at all times maintain a Paying Agent with a Specified Office in London, a Principal Paying Agent and an Agent Bank. The Issuer undertakes that it will ensure that it maintains a Paying Agent in an EU Member State that will not be obliged to withhold or deduct Tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 18 (*Notices to Noteholders*).

17. **Replacement of Notes, Coupons, Receipts and Talons**

If any Note, Coupon, Receipt or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, subject to all applicable laws and Irish Stock Exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons, Receipts or Talons must be surrendered before replacements will be issued.

18. **Notices to Noteholders**

(a) ***Valid Notices and Date of Publication***

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be The Financial Times) and, if the Notes are listed on the Irish Stock Exchange and the rules of that exchange so require, a leading newspaper having general circulation in Dublin (which is expected to be The Irish Times) or, in either case, if such publication is not practicable, in another appropriate newspaper having general circulation in London or, as the case may be, Dublin, previously approved in writing by the Note Trustee or otherwise in accordance with the requirements of the Irish Stock Exchange.

Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers).

Whilst the Notes are represented by Global Notes, notices to Noteholders will be valid if published in accordance with the rules of the Irish Stock Exchange and if delivered to Clearstream, Luxembourg and/or Euroclear for communication by them to Noteholders. Any notice delivered to Clearstream, Luxembourg and/or Euroclear as aforesaid shall be deemed to have been given on the date of such delivery.

(b) ***Other Methods***

The Note Trustee may approve some other method of giving notice to the Noteholders if, in its opinion, that other method is reasonable having regard to market practice then prevailing and to the requirements of any stock exchange on which Notes are then listed and **provided that** notice of that other method is given to the Noteholders in the manner required by the Note Trustee.

(c) ***Couponholders and Receiptholders Deemed to Have Notice***

Couponholders and Receiptholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made in the manner referred to above.

(d) ***Notices to Irish Stock Exchange and the Rating Agency***

A copy of each notice given in accordance with this Condition 18 shall be provided to the Rating Agency and the Irish Stock Exchange for so long as the Notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require.

19. **Subordination and Deferral of Interest**

(a) ***Subordination and Deferral of Interest***

In the event that, on any Note Payment Date, the Available Revenue Funds plus any funds available to be drawn under the Liquidity Facility for such purpose, after deducting all amounts payable in priority to:

- (i) (in the case of the Class C Notes) interest on the Class C Notes; and
- (ii) (in the case of the Class B Notes) interest on the Class B Notes,

(the funds after each such deduction being the "**Interest Residual Amount**") is not sufficient to satisfy in full the aggregate amount due and, subject to this Condition 19, payable in respect of any Class of Notes on such Note Payment Date, then there shall be paid in respect of such Class of Notes on such Note Payment Date a *pro rata* share of the relevant Interest Residual Amount calculated by dividing such Interest Residual Amount by the Principal Amount Outstanding of the relevant Class of Notes.

In any such event, the Issuer shall create a provision in its accounts for the shortfall (if any) equal to the amount by which the aggregate amount paid in respect of interest on any Class of Notes referred to under items (i) or (ii) (as the case may be) of this Condition 19 (*Subordination and Deferral of Interest*) is less than the aggregate amount payable in respect of interest on any Class of Notes (as the case may be) (the "**Shortfall**"). Such Shortfall shall itself accrue interest at the same rate as that payable in respect of the relevant Class of Notes and shall be payable together with such accrued interest on any succeeding Note Payment Date to the extent that on such Note Payment Date, the relevant Interest Residual Amount is sufficient to make such payment.

For the avoidance of doubt, non-payment on any Note Payment Date (including the Final Maturity Date) of any amount which would otherwise be payable under these Conditions but for this Condition 19 (*Subordination and Deferral of Interest*) shall not constitute a Note Event of Default pursuant to Condition 11 (*Note Events of Default*) other than failure to pay an amount in respect of the Most Senior Class of Notes then outstanding.

(b) ***General***

Any amounts of interest in respect of the Notes otherwise payable under these Conditions which are not paid by virtue of this Condition 19 shall in any event become payable on the Final Maturity Date or on such earlier date as the Notes become immediately due and repayable under these Conditions.

(c) ***Notification***

As soon as practicable after becoming aware that any part of a payment of interest on the Notes will be deferred or that a payment previously deferred will be made in accordance with this Condition 19, the Issuer will give notice thereof to the relevant Noteholders in accordance with Condition 18 (*Notices to Noteholders*) and to the Irish Stock Exchange, so long as the Notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require.

20. **Redenomination**

(a) ***Notice of Redenomination***

The Issuer may, after the Euro Commencement Date, without the consent of the Noteholders, the Couponholders and the Receipholders on giving at least thirty (30) days prior notice to the Noteholders and the Paying Agents, designate a Note Payment Date as the Redenomination Date.

(b) **Redenomination**

With effect from the Redenomination Date:

- (i) the Notes in each Class shall be deemed to be redenominated into euro with the Principal Amount Outstanding of each Note in each Class being equal to the Principal Amount Outstanding of that Note in such Class in Sterling, converted into euro at the rate for conversion of Sterling into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Union regulations); and
- (ii) notwithstanding Condition 20(b)(i) (*Redenomination*), if the Issuer determines, that the then market practice in respect of the redenomination into euro of internationally offered securities is different from that specified above, such provision shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders and the Couponholders, the Receiptholders, the Irish Stock Exchange, the Paying Agents and the Agent Bank of such deemed amendments in accordance with Condition 18 (*Notices to Noteholders*).

(c) **Notice of Redenomination Date**

The Issuer will notify the Noteholders, Couponholders and Receiptholders of the intended Redenomination Date in accordance with Condition 18 (*Notices to Noteholders*).

(d) **Effect of Redenomination**

With effect from the Redenomination Date:

- (i) all unmatured Coupons and Receipts denominated in Sterling (whether or not attached to the Notes) will become void and no payments will be made in respect of such Coupons and Receipts;
- (ii) the payment obligations contained in all Notes denominated in Sterling will become void but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 20) shall remain in full force and effect;
- (iii) new Notes, Coupons and Receipts denominated in euro will be issued in exchange for Notes and Coupons and Receipts denominated in Sterling in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in accordance with Condition 18 (*Notices to Noteholders*); and
- (iv) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as Sterling ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro by cheque drawn on, or by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Participating Member State.

21. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions) all percentages resulting from such calculations will be rounded, if necessary, upwards to four decimal places.

22. **Third Party Rights**

No third parties will have any rights to enforce any obligation of the Issuer in respect of these Conditions under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of a third party which exists or is available aside from the Contracts (Rights of Third Parties) Act 1999

23. **Governing Law**

The Note Trust Deed, the Deed of Charge, the Agency Agreement, the other Issuer Transaction Documents and the Notes, the Coupons, the Receipts and the Talons and all non-contractual obligations arising from or connected with such agreements, are governed by English law.

TAXATION IN THE UNITED KINGDOM

The following is a summary of the United Kingdom taxation treatment at the date of this document in relation to payments of interest and principal in respect of the Notes. It is based on current law and the practice of HM Revenue and Customs ("HMRC") which is liable to change without notice and in some cases retrospectively. The comments are limited to a general consideration of the United Kingdom tax position of investors who are the absolute beneficial owners of the Notes. They do not necessarily apply to certain classes of person (such as dealers) or where the income is deemed for tax purposes to be the income of any other person.

This summary is a guide only, and should be treated with appropriate caution. Noteholders or prospective Noteholders who are in any doubt as to their tax position should consult their professional advisers. In particular, Noteholders are advised that they may be liable to taxation on any payments of interest or principal made under the Notes even if such payments may be made without withholding or deduction for or on account of tax under the laws of the United Kingdom.

United Kingdom withholding tax on payments of interest on the notes

Payments of interest under the Notes issued by the Issuer may be made without deduction or withholding of a sum on account of income tax **provided that** the Notes are listed on a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007. Notes will be treated as "listed" on a recognised stock exchange if (and only if) they are admitted to trading on that exchange and are officially listed in a country outside the United Kingdom in which there is a recognised stock exchange in accordance with provisions corresponding to those generally applicable in European Economic Area states. The Irish Stock Exchange is a recognised stock exchange for these purposes.

Interest on the Notes may also be made without deduction of or withholding on account of United Kingdom income tax where the interest payment is made to a beneficial owner of the Notes who, at the time of making the payment, the Issuer reasonably believes is within the charge to United Kingdom corporation tax as regards the payment of interest, provided no direction has been given by HMRC that the interest should be paid under deduction of tax.

In all other cases, interest under the Notes may fall to be paid under deduction of United Kingdom income tax at the lower rate (currently 20 per cent.) subject to such relief as may be available under the provisions of any applicable double tax treaty or to any other exemption that may apply.

The references to "interest" in the paragraphs above are to "interest" as understood for the purposes of United Kingdom tax law. They do not take into account any other definition of "**interest**" or "**principal**" that may prevail under any other tax law or that may apply under the terms and conditions of any related document.

Direct assessment

Interest on the Notes may be subject to United Kingdom income tax or corporation tax by direct assessment even where paid without withholding.

However, interest that is received without withholding or deduction for or on account of United Kingdom tax is not chargeable to United Kingdom tax in the hands of a Noteholder (other than in the case of certain trustees) who is not resident for tax purposes in the United Kingdom unless that Noteholder carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency, or a United Kingdom permanent establishment (in the case of a corporate Noteholder), in connection with which the interest is received and to which the Notes are attributable. In such a case, United Kingdom income tax or corporation tax may be levied on the branch, agency or permanent establishment although there may be exceptions for certain types of agent (such as some brokers and investment asset managers). The provisions of any applicable double tax treaty may be relevant to such a Noteholder.

Provision of information

Noteholders should be aware that where any interest on Notes is paid to them (or to any person acting on their behalf) by the Issuer or the Paying Agent acting on behalf of the Issuer, then the Issuer or the Paying Agent may, in certain cases, be required to supply HMRC details of the payment and certain details relating to the Noteholder (including the Noteholder's name and address). These provisions will apply

whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the Noteholder is resident in the United Kingdom for United Kingdom tax purposes. Where the Noteholder is not so resident, these details may, in certain cases, be passed by HMRC to the tax authorities of the jurisdiction in which the Noteholder is resident for taxation purposes.

United Kingdom Corporation Tax Payers

Corporate Noteholders within the charge to United Kingdom corporation tax will normally recognise any profits gains or losses on the Notes (including on redemption) for United Kingdom corporation tax purposes under the "**loan relationships**" rules in Part 5 of the Corporation Tax Act 2009. These rules provide that interest, profits, gains and losses are taxed or relieved as income.

Stamp Duty and Stamp Duty Reserve tax

No United Kingdom stamp duty or stamp duty reserve tax will be payable on the issue or transfer of the Notes.

European Union Directive on the Taxation of Savings Income

Under Council Directive 2003/48/EC on the taxation of savings income, member states are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Austria and Luxembourg are instead required (unless they elect otherwise during that period) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent on the conclusion of certain other agreement relating to information exchange with certain other countries). During the transitional period, however, withholding will not apply under the directive to a payment if the beneficial owner of that payment authorises exchange of information instead.

Noteholders should be aware that the European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

EU SAVINGS DIRECTIVE

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State. However, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Ireland has implemented EC Council Directive 2003/48/EC.

In addition, a number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed with effect from 1 July 2005 to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into a reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

NOTE PURCHASE AGREEMENT

The Note Purchaser, pursuant to a note purchase agreement dated on or about the date of this Prospectus (the "**Note Purchase Agreement**") between the Arranger, the Lead Manager, the Note Purchaser and the Issuer, agreed with the Issuer to subscribe for the Class A Notes at the issue price of 100 per cent. of their initial principal amount, the Class B Notes at the issue price of 100 per cent. of their initial principal amount and the Class C Notes at the issue price of 100 per cent. of their initial principal amount subject to certain conditions contained therein.

The Issuer and the Seller each agreed to indemnify the Arranger, the Lead Manager and the Note Purchaser against certain liabilities incurred in connection with the issue of the Notes.

The Note Purchase Agreement is subject to a number of conditions and may be terminated by the Arranger, Lead Manager or Note Purchaser in certain circumstances prior to payment for the Notes to the Issuer.

Reference should be made to the Note Purchase Agreement for a full description of the restrictions on offers or sales of the Notes and on the distribution of offering documents. Attention is also drawn to the information set out on the inside cover of this Prospectus.

Other than admission to the Official List of the Irish Stock Exchange and admission to trading on the Irish Stock Exchange, no action has been taken by the Issuer, the Lead Manager or RBS (as Seller), which would or has been intended to permit a public offering of the Notes, or possession or distribution of this Prospectus or other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

This Prospectus does not constitute, and may not be used for the purpose of, an offer or a solicitation by anyone to subscribe for or purchase any of the Notes in or from any country or jurisdiction where such an offer or solicitation is not authorised or is unlawful.

United States of America

The Lead Manager has acknowledged with the Issuer that the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from or not subject to the registration requirements of the Securities Act. The Lead Manager has agreed that it will not offer, sell or deliver the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In connection with sales outside the United States, the Lead Manager has agreed under the Note Purchase Agreement that it will not offer, sell or deliver the Notes to, or for the account or benefit of U.S. persons (a) as part of its distribution at any time or (b) otherwise prior to the date that is 40 days after the later of the commencement of the offering and the issue date of the Notes (the "**Distribution Compliance Period**") and, accordingly, the Lead Manager, nor any of its affiliates or persons acting on its behalf, has engaged or will engage in any directed selling efforts (within the meaning of Regulation S) with respect to the Notes and it and its affiliates and any person acting on its behalf has complied with and will comply with the offering restriction requirements of Regulation S under the Securities Act to the extent applicable.

The Lead Manager under the Note Purchase Agreement has also agreed that, at or prior to confirmation of sales of any Notes, it will have sent to each distributor, dealer or other person receiving a selling concession, fee or other remuneration to which it sells any Notes during the Distribution Compliance Period a confirm or other notice setting forth the restrictions on offers and sales of such Notes within the United States or to, or for the account or benefit of, U.S. persons.

The Issuer and the Lead Manager will extend to each prospective investor the opportunity, prior to the consummation of the sale of the Notes, to ask questions of, and receive answers from, the Issuer concerning the Notes and the terms and conditions of the offering and to obtain additional information it may consider necessary in making an informed investment decision and any information in order to verify the accuracy of the information set forth herein, to the extent the Issuer and/or the Lead Manager, as applicable, possesses the same. Requests for such additional information may be directed to the Directors.

United Kingdom

The Lead Manager has further represented and agreed that except as permitted by the Note Purchase Agreement:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("FSMA")) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

General

Other than the approval by the Central Bank of Ireland of this Prospectus as a prospectus in accordance with the requirements of the Prospectus Directive and implementing measures in Ireland, application having been made for the Notes to be admitted to the Official List of the Irish Stock Exchange and trading on its regulated market, no action is being taken in any jurisdiction that would or is intended to permit a public offering of the Notes, or the possession, circulation or distribution of this Prospectus or any other material relating to the Issuer or the Notes in any jurisdiction where action for that purpose is required. This Prospectus does not constitute, and may not be used for the purpose of, an offer or solicitation in or from any jurisdiction where such an offer or solicitation is not authorised. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material nor any advertisement in connection with the Notes may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

The Lead Manager has undertaken not to offer or sell any of the Notes, or to distribute this document or any other material relating to the Notes, in or from any jurisdiction except under circumstances that will result in compliance with applicable law and regulations.

GENERAL INFORMATION

1. All authorisations, consents and approvals to be obtained by the Issuer for, or in connection with, the creation and issue of the Notes, the performance by the Issuer of the obligations expressed to be undertaken by it and the distribution of this Prospectus have been obtained and are in full force and effect. The issue of the Notes has been authorised by a resolution of the board of directors of the Issuer passed on 6 August 2012.
2. Application has been made to admit the Notes to trading on the Official List of the Irish Stock Exchange by the Issuer, through Arthur Cox (the "**Listing Agent**"). The Listing Agent is not seeking admission to listing on the Irish Stock Exchange for the purposes of the Prospectus Directive. In connection with the listing application, this Prospectus has been filed with the Registrar of Companies in Ireland. Such application relates only to the Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 2004/39/EC or which are to be offered to the public in any Member State of the European Economic Area.
3. The Notes have been accepted for clearance through DTC, Clearstream, Luxembourg and Euroclear as follows:

Class of Notes	ISIN	Common Code
Class A Notes	XS0782467749	078246774
Class B Notes	XS0782468556	078246855
Class C Notes	XS0782469109	078246910

4. The Issuer is not involved, nor has been involved, in any legal, governmental or arbitration proceedings which may have, or have had, since the date of its incorporation, a significant effect on its financial position, nor is the Issuer aware that any such proceedings are pending or threatened.
5. The Borrower is not involved, nor has been involved, in any legal, governmental or arbitration proceedings which may have, or have had, since the date of its incorporation, a significant effect on its financial position, nor is the Borrower aware that any such proceedings are pending or threatened.
6. Save as disclosed in this Prospectus, since 3 February 2012 (being the date of incorporation of the Issuer), the Issuer has not:
 - (a) commenced operations;
 - (b) made up annual financial accounts as at the date of this Prospectus; or
 - (c) entered into any contracts or arrangements not being in its ordinary course of business.
7. Save as disclosed in this Prospectus, since 3 February 2012 (being the date of incorporation of the Issuer), there has been no material adverse change in the financial position or prospects and no significant change in the financial or trading position of the Issuer.
8. Save as disclosed in this Prospectus, since 12 January 2012 (being the date of audited financial statements of the Borrower incorporated in this Prospectus), there has been no material adverse change in the financial position or prospects and no significant change in the financial or trading position of the Borrower.
9. For so long as the Notes are admitted to trading on the Official List of the Irish Stock Exchange, the most recently published Quarterly Investor Report of the Issuer and CMSA European Investor Reporting Package will be available electronically at the website of the Servicer, being www.capitaassetservices.ie, or such other website as the Servicer may designate, or, as the case may be, Bloomberg or in either physical or electronic format during normal business hours on any week day (excluding Saturdays, Sundays and public holidays) at the Specified Offices of the Paying Agent and at the registered office of the Issuer free of charge. The Quarterly Investor Reports and CMSA European Investor Reporting Packages will contain information relating to

the immediately preceding Note Interest Period, details of any repurchases of Assets by the Asset Sellers pursuant to the Asset Loan Sale Agreement, details with respect to the rates of interest, Note principal and interest payments and other payments by the Issuer.

10. For so long as the Notes are admitted to trading on the Official List of the Irish Stock Exchange, the most recently published Cash Administration Report will be available electronically at the website of the Cash Administrator <https://www.tss.db.com/invr>.
11. Other than as outlined in paragraphs (9) and (10) above, the Issuer does not intend to provide post-issuance transaction information regarding the Notes or the Property Loan Portfolio.
12. In connection with the application to admit the Notes to trading on the Official List of the Irish Stock Exchange, copies of the memorandum and articles of association of the Issuer and a legal notice relating to the issue of the Notes will be filed with the Registrar of Companies in Ireland, where such documents may be examined and copies obtained upon request. It is expected that the Notes which are to be admitted to the Official List of the Irish Stock Exchange will be admitted, when issued, subject only to the issue of the relevant Global Notes.
13. For so long as the Notes are admitted to trading on the Official List of the Irish Stock Exchange and the guidelines of the Irish Stock Exchange so require, copies of the following documents only and this Prospectus may be inspected at the Specified Offices of the Paying Agent and at the registered office of the Issuer from the date of this Prospectus free of charge:
 - 13.1 the memorandum and articles of association of the Issuer and the Borrower;
 - 13.2 the audited financial statements of the Borrower for the period 19 October 2012 to 12 January 2012;
 - 13.3 the latest annual financial reports of the Issuer and the Borrower (which will be prepared in accordance with statutory requirements) will be available at the Specified Offices of the Paying Agent and the registered office of the Issuer. No interim financial reports will be produced by the Issuer; and
 - 13.4 copies of the following documents:
 - (a) Note Purchase Agreement;
 - (b) Securitisation Floating Charge Debenture;
 - (c) Loan Sale Documents;
 - (d) Servicing Agreement;
 - (e) Deed of Charge;
 - (f) Note Trust Deed;
 - (g) Agency Agreement;
 - (h) Liquidity Facility Agreement;
 - (i) Cash Administration Agreement;
 - (j) Issuer Account Bank Agreement;
 - (k) Issuer Tax Deed of Covenant;
 - (l) Confirmation Side Letter;
 - (m) Incorporated Terms Memorandum.;
 - (n) Servicing Agreement; and

- (o) Corporate Services Agreement.
14. DTZ are a global firm of real estate advisors. Valuations are undertaken across all real estate sectors and, in the United Kingdom, are carried out by registered valuers regulated by the Royal Institution of Chartered Surveyors.

VALUATION REPORT

The following valuation report (the "**Valuation Report**") was prepared on a "desktop" basis by DTZ and was originally commissioned by The Royal Bank of Scotland plc in its capacity as Seller in January 2012 in connection with the then anticipated securitisation transaction. It does not and should not be considered to represent a formal valuation in respect of any of the Property Loans or the Asset Level Properties for any purpose set out in any Property Loan.

The following Issuer Transaction Parties have reliance on the Valuation Report, subject to the limitations and assumptions set out therein: the Royal Bank of Scotland plc in various capacities, the Issuer and the Note Trustee. None of the Issuer, the Royal Bank of Scotland plc, the Note Trustee, Blackstone, the Asset Manager, the Isobel Group, the Corporate Services Provider or any other Issuer Transaction Party has made any independent investigation of any of the matters stated in the Valuation Report. Investors should note that the engagement letter set out in Appendix 1 of the Valuation Report and the terms and conditions of appointment of DTZ set out in Schedule 3 of the Valuation Report have not been restated for commercial competitor sensitivity reasons.

DTZ has given and has not withdrawn its written consent to the inclusion of references to the Valuation Report in this Prospectus with the inclusion therein of its name in the form and context in which such references appear and has also given and not withdrawn its written consent to the inclusion of the abridged version of the Valuation Report in the form and content in which it is included in this section of the Prospectus. DTZ has no ownership interest in the Issuer and is not an Affiliate of the Issuer.



Report and Valuation

For

The Royal Bank of Scotland plc
135 Bishopsgate
London
EC2M 3UR

Isobel Finance No. 1 Plc (“Senior Issuer”)
Isobel Finance No. 2 Plc (“Junior Issuer”)
Desktop Portfolio Valuation
as at 31 December 2011

Private and Confidential

DTZ Debenham Tie Leung
48 Warwick Street
LONDON
W1B 5NL

11 July 2012



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Appendices

1	Engagement Letter
2	Summary of Market Values
3	Summary of Definitions



Summary of Values

Ref	Case Name	Use	Estimated Net Annual Rents	Market Value
1	PPH1 Property Loan	Car Showrooms	£17,385,231	£193,205,000
2 & 3	Alpha Property Loans	Commercial Property	£46,932,831	£630,000,000
4	Blue Property Loan	Shopping Centre	£2,611,971	£31,500,000
5	Barchester Property Loan	Care Homes	£79,245,343	£1,200,000,000
6	Warner Property Loan	Mixed	£6,046,106	£70,030,000
7	Heathrow/V&A Property Loan	Hotels	£9,556,400	£85,650,000
8	Toys R Us Property Loan	Retail Warehouse	£33,227,892	£491,560,000
9	DFS Property Loan	Retail Warehouse	£15,794,455	£212,000,000
10	Prestbury Property Loan	Pubs	£35,788,987	£420,000,000
11 & 12	London & Westcountry Property Loans	Industrial	£5,044,801	£50,230,000
13	Marlow Property Loan	Office	£4,083,395	£50,000,000
14	Multi Southgate Property Loan	Shopping Centre	£9,201,935	£221,800,000
15	Urban Splash Property Loan	Office	£9,846,243	£107,215,000
16	Mapeley Property Loan	Office	£12,774,010	£123,925,000
17	Falcon Property Loan	Car Auction Sites	£20,012,394	£260,000,000
18	Bravo Property Loan	Office	£2,133,960	£29,205,000
19 & 20	Structadene Property Loans	Mixed	£2,265,372	£31,870,000
21	Primepanel Property Loan	Car Parks	n/a.	£31,800,000
22	Beaucette Property Loan	Office	£532,218	£4,800,000
23	Pimlico Property Loan	Retail	£2,149,934	£50,600,000
24	Barracuda Property Loan	Pubs	£5,401,419	£56,700,000
25	Kingswood Property Loan	Office	£4,300,000	£57,200,000
26	Craighurst Property Loan	Office	£5,207,299	£98,500,000



Summary of Values

Ref	Case Name	Use	Estimated Net Annual Rents	Market Value
27	Charlie Property Loan	Hotel	£1,133,665	£14,250,000
28	Rivlin ABP Property Loan	Retail	£3,473,423	£74,475,000
29	Delta Property Loan	Hotel	£778,377	£10,125,000
30	Caspar Property Loan	Mixed	£20,009,528	£240,525,000
31	Echo Property Loan	Hotel	£444,627	£6,000,000
32	Rivlin Property Loan	Retail	£1,530,000	£30,850,000
33	Trustees of the Sugar Mill Property Loan	Industrial	£211,941	£1,540,000
34	Red Property Loan	Leisure	£262,840	£4,000,000
35	Green Property Loan	Commercial Property	£438,000	£6,265,000
36	Yellow Property Loan	Commercial Property	£629,004	£6,800,000
37	Orange Property Loan	Mixed	£1,519,126	£23,390,000

Notes:

- 1) In assessing the Market Value we have adopted standard purchaser's costs of 5.8% and have not reflected any Stamp Duty saving that may be available on properties held within Special Purpose Vehicles and neither have we reflected any future development potential within our desktop valuations.
- 2) 6 - Warner - We have been informed by RBS that it also has security over the APIA fund and the shares of the asset management which are currently valued at £20.27m in Warner Estate's Accounts as at 31 December 2011.
- 3) 14 - Multi Southgate - The Market Value and income figures above are 100% of the Market Value of the scheme; Multi's ownership is only 50%.
- 4) 21 - Primepanel - The portfolio includes operating assets operated by NCP. There is no rent and the debt is serviced by the Ebitda.



To:
(a) The Royal Bank of Scotland plc;

(b) The Royal Bank of Scotland plc as arranger, agent lender under the Facility Agreements, as counterparty under any hedging arrangements entered into in connection with the Facility Agreements and, where applicable, as arranger, lead manager, swap counterparty, liquidity facility provider or other support provider in connection with any securitisation of, or referable to any loan made under, any Facility Agreement, and each of their respective transferees, successors or assignees;

(c) each person which becomes a party of the Facility Agreements as lender in accordance with their terms thereof and its transferees, successors or assignees;

(d) any note trustee and/or security trustee in connection with any securitisation of, or referable to any loan made under any Facility Agreement, and any security trustee and its transferees, successors, or assignees acting as agent and/or trustee for any one or more Lenders or other beneficiaries of any security granted in connection with the Facility Agreements; and

(e) any issuer or any manager in connection with any securitisation of, or referable to any loan made under, any Facility Agreement and each of their transferees, successors or assignees,

(together the "Addressees")

Email: john.bareham@dtz.com
Direct tel: 020 3296 4511
Direct fax: 020 3296 4430

Your ref:
Our ref: gs.jb.Ryan.rep

11 July 2012

DTZ

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London, W1B 5NL, England
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A list of directors' names is open to inspection at the above address
DTZ Debenham Tie Leung Limited Registered in England No 2757768
Registered office 125 Old Broad Street London EC2N 2BQ





Dear Sirs

Desktop valuation of the underlying Properties forming the collateral for 37 Property Loans held as collateral by Isobel Finance No. 1 Plc (“Senior Issuer”) and Isobel Finance No. 2 Plc (“Junior Issuer”) as at 31 December 2011

1. Instructions

In accordance with instructions received from The Royal Bank of Scotland plc (“RBS”), as confirmed by our letter of 19 January 2012 (incorporated at Appendix 1), we have undertaken desktop valuations of the freehold and leasehold interests in the properties (the “Properties”) forming collateral for a portfolio of 37 Property Loans listed in the Appendix to this report (the “Property Loans”) in order to determine the current estimate of value that the underlying real estate of the portfolio (the “Portfolio”) could achieve in the open market as at 31 December 2011 (the “Valuation Date”). Each property loan has specific Properties as collateral (each a “Property Portfolio”).

The Portfolio is a diversified mix of property types located throughout the UK and on the Isle of Man. The Portfolio includes offices, retail, hospitality, healthcare, industrial, car showrooms, car parking and a small element of residential properties.

For the avoidance of doubt, the desktop review of the Portfolio does not constitute formal valuations governed by the RICS Valuation Standards – Global and UK, 7th Edition (the Red Book). Although the level of due diligence undertaken to provide the appraisals would not be considered sufficient to conduct a formal Red Book valuation due to the limitations on information provided, nonetheless, we consider that the methodology employed in arriving at our opinions of value conforms to that which would have been used had we been undertaking a formal Red Book compliant valuation.

2. Purpose of the Valuation

We understand that our valuation report and schedule (the “Valuation Report”) will be provided in order to assist with

- (i) the listing and rating of the Senior Notes to be issued by Isobel Finance No. 1 Ltd on the Dublin Stock Exchange and
- (ii) the listing of the Junior Notes to be issued by Isobel Finance No. 2 Ltd on the Channel Islands Stock Exchange.
(together the “Proposals”)



3. Format of this report

Within the body of this report we have detailed the nature of the instruction and the services undertaken.

Appendix 2 includes a schedule detailing the summary of estimated values as at 31 December 2011.

Within Appendix 3 is a summary of definitions to which we would draw your attention to including the limitations relating to Market Value.

4. Limitation of desktop valuation & sources of information

Under your instructions we have provided our estimate of the Market Value of each of the Properties which serve as collateral for the Property Loans. In order to undertake this exercise we have only been able to undertake limited due diligence and have been asked to rely on information provided by RBS that includes:

1. updated asset management information from either the borrower or RBS; and
2. the most recently received tenancy schedules

In addition, we have been provided with copies of the previous third party valuation reports and appraisals, used for information purposes and reviewed on a non reliance basis.

We have relied upon the latest tenancy schedule received prior to 31 December 2011 and any other tenancy information which has been made available to us.

Where we have been provided with copies of previous third party reports and valuations undertaken on Properties or Property Portfolios under charge and, notwithstanding that DTZ has no reliance on these reports, RBS have requested that we assume the factual information contained therein is accurate for preparation of our report and Market Value, where more recent data is not available.

In undertaking our estimates of Market Value, we have reviewed data necessary to undertake appraisals of the Properties. We have not, however, considered all legal documentation available in the form of certificates of title, nor loan documentation or internal reports carried out by RBS.

The level of due diligence does not adhere to the guidelines required to undertake a formal valuation in accordance with the RICS Valuation Standards in that:-

1. No inspection of the Properties has been undertaken specifically for this purpose to assess the condition of the premises;
2. DTZ has only considered tenancy or title documents relating to the premises which have been made available to us. Where Certificates of Title are available in respect of the



individual Properties, we have read a representative sample. We have also reviewed the Title Report prepared by BLP on a non reliance basis;

3. DTZ has not undertaken measured surveys or undertaken check measurements to verify the accuracy of the floor areas for the Properties.
4. No planning or environmental enquiries have been made by DTZ to assess the position of each of the Properties.

In undertaking our Market Values, we are therefore assuming that the Assumptions set out below hereby apply. These Assumptions (in the absence of information provided by RBS to the contrary) assume the Properties have:

1. good legal freehold or leasehold title, unless otherwise indicated in the Certificates of Title referred to in 2 above;
2. that the floor areas provided are accurate and have been assessed and calculated in accordance with the Code of Measuring Practice issued by the RICS;
3. that the Properties are in reasonable condition commensurate with their age and construction with no major wants of repair;
4. that the Properties have permitted planning and regulatory consent for their current use;
5. that where appropriate the Properties adhere fully to other registered requirements and licences;
6. that the Properties suffer no environmental or contamination issues;
7. where values for Properties or Property Portfolios have been assessed by reference to trading potential, it is assumed that the rents are affordable.

Having regard to Isobel Finance No. 1 Plc and Isobel Finance No. 2 Plc instructions, DTZ considers its Assumptions to be reasonable in the circumstances, although DTZ would highlight the potential risk to the underlying asset values should this not prove to be the position.

5. Work undertaken by DTZ

In undertaking this exercise we have:

- reviewed all documentation provided to us including, inter alia, valuation reports prepared by third party firms in connection with the original Property Loans, leases where available, tenancy schedules and rent demands and other data provided to us by RBS;
- perused our own records to obtain further information in respect of any of the Properties;
- undertaken market research into the relevant sectors and locations;
- considered where possible the levels of rents reserved in comparison to likely Market Rents;
- applied our opinion of the appropriate yields relevant to the cash flows of the individual Properties and Property Portfolios.



6. Conflicts of interest & Property Expertise

In undertaking this engagement a bespoke team has been put in place to ensure that DTZ utilises the most appropriate resources with knowledge of the property sub-sectors. Where DTZ has been involved with the provision of loan security valuation reports on certain Property Loans in the past, we have ensured that a different team provides the current updated review and Market Values.

We do not consider that we have a conflict of interest in undertaking this instruction. DTZ does however have certain relationships with borrowers within the Portfolio. Under the terms of our confidentiality agreement with RBS, DTZ has not disclosed to its existing clients the nature of this instruction but will manage such arrangements where it may be so required with the consent of RBS.

7. Taxation & Costs

In calculating the real estate valuation we have adopted standard purchasers' costs of 5.80%. The purchasers' costs have been taken into consideration in assessing the current Market Values and we have not reflected any SDLT saving that may be available to the extent there is a Special Purpose Vehicle, holding a property which could be sold rather than a sale of the Property itself.

8. Estimates of Market Value

In undertaking our estimate of the current Market Value of each of the Properties, DTZ has reviewed/considered the data presented to us by RBS. We have constructed cash flows to represent the tenancy profile for each of the Properties as at 31 December 2011. There may be instances where the tenancy situation will have altered, and therefore for these reasons, we are providing an estimate of Market Value rather than a formal Red Book appraisal.

DTZ has based the current estimates of value on current market activity. Where there are insufficient market transactions or lack of comparable evidence in the market place, the valuer has exercised his or her judgement based upon his or her wider knowledge of the real estate market.

For the specialist Properties, where market activity is limited, DTZ has benchmarked the historic prime yield curve against historic activity in the sectors to provide a guide to where such Properties would be priced today having regard to the market for prime property.

The current Market Value estimates for each of the secured Property Portfolios are summarised in the schedule incorporated within Appendix 2.

In assessing the estimates of Market Value DTZ also assumes an orderly sale of Properties so as to maximise any sale price.



9. Conclusion

Based upon our review of the Properties, we consider that there is a market for the real estate which provides collateral for the Property Loans having regard of the current economic conditions. With any immediate sale however, the lotting and subdivision of the Portfolio will need to be closely analysed to maximise value. Our valuations assume that any disposal would be structured in an orderly fashion.

It is our view that the real estate with long dated rental income will continue to prove attractive to the investment market and a sale based upon the current lease structures will be easier to achieve, (subject to sub-division to reduce the overall lot sizes). Some of the Property Portfolios such as Barchester, Toys R Us and Falcon offer long term leases subject to annual indexation.

Conversely, from an occupational perspective, the market is expected to continue to be difficult and active management of some of the secondary Property Portfolios will be essential to maintain value. We are informed that there are currently a number of asset management initiatives under consideration which would be likely to enhance value and, whilst our valuations do not specifically reflect any potential increase in value, we would anticipate that any sale process would be structured such that these initiatives could be fully explored in order to maximise any potential upside.

10. Confidentiality and Disclosure

1. The Addressees may disclose the report where disclosure is required by law or in respect of legal proceedings in connection with this report and may also be disclosed: (a) to the Addressees' respective agents or advisers, or any of them, in connection with the loan and hedging or securitisation transactions or any securitisation of, or referable to, a loan under the Facility Agreements; (b) to any financial institution and their respective advisers or other entity in connection with the loan and hedging or securitisation transactions under or referencing the Facility Agreements and (c) to the rating agencies in connection with any securitisation of, or referencing, the Facility Agreements and to investors or prospective investors in such securitisation.

2. The Addressees may make reference to this report in any offering materials related to any securitisation of, or referable to any loan made under, any Facility Agreement subject to the references there in being approved by DTZ.

"Facility Agreements" means

(a) the senior facility agreement (as amended or restated from time to time) dated 21 December 2012 and entered into between, amongst others, The Royal Bank of Scotland, Isobel AssetCo Limited and Isobel Holding S.A.R.L; and



(b) the junior facility agreement (as amended or restated from time to time) dated 21 December 2012 and entered into between, amongst others, The Royal Bank of Scotland, Isobel AssetCo Limited and Isobel Holding S.À.R.L.

Yours faithfully

Signed jointly for and on behalf of DTZ Debenham Tie Leung by

Gavin Spreyer BSc (Hons) MRICS
Senior Director
For and on Behalf of
DTZ Debenham Tie Leung Limited

John Bareham BSc (Hons) MRICS
Senior Director
For and on Behalf of
DTZ Debenham Tie Leung Limited

Jonathan Goode BSc (Hons) MRICS
Senior Director
For and on Behalf of
DTZ Debenham Tie Leung Limited



The Royal Bank of Scotland plc
Desktop Portfolio Valuation for Project Ryan
Date of valuation 31 December 2011
Date of report: 11 July 2012

Appendix 1 Engagement Letter

Appendix 1



SCHEDULE 1:

DTZ Commercial/Industrial Property Valuation Engagement Letter

Definitions of the Bases of Valuation

Market Value

Market Value as defined in Valuation Standard 3.2 of the RICS Valuation Standards – Global and UK, 7th Edition ("the Red Book") and applying the conceptual framework which has been settled by the International Valuation Standards Council (IVSC). Under VS 3.2, the term "Market Value" means "The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

The conceptual framework settled by the IVSC is included in VS 3.2 and is reproduced below:-

- "3.2 The term *property* is used because the focus of these Standards is the valuation of property. Because these Standards encompass financial reporting, the term *Asset* may be substituted for general application of the definition. Each element of the definition has its own conceptual framework.
- 3.2.1 **'The estimated amount ...'** Refers to a price expressed in terms of money (normally in the local currency) payable for the property in an arm's-length market transaction. *Market Value* is measured as the most probable price reasonably obtainable in the market at the date of valuation in keeping with the *Market Value* definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of *Special Value*.
- 3.2.2 **'... a property should exchange ...'** Refers to the fact that the value of a property is an estimated amount rather than a predetermined or actual sale price. It is the price at which the market expects a transaction that meets all other elements of the *Market Value* definition should be completed on the date of valuation.
- 3.2.3 **'... on the date of valuation ...'** Requires that the estimated *Market Value* is time-specific as of a given date. Because markets and market conditions may change, the estimated value may be incorrect or inappropriate at another time. The valuation amount will reflect the actual market state and circumstances as of the effective valuation date, not as of either a past or future date. The definition also assumes simultaneous exchange and completion of the contract for sale without any variation in price that might otherwise be made.
- 3.2.4 **'... between a willing buyer ...'** Refers to one who is motivated, but not compelled to buy. This buyer is neither over-eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the



realities of the current market and with current market expectations, rather than on an imaginary or hypothetical market which cannot be demonstrated or anticipated to exist. The assumed buyer would not pay a higher price than the market requires. The present property owner is included among those who constitute 'the market'. A valuer must not make unrealistic Assumptions about market conditions or assume a level of Market Value above that which is reasonably obtainable.

- 3.2.5 '**... a willing seller ...**' Is neither an over-eager nor a forced seller prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in the current market. The willing seller is motivated to sell the property at market terms for the best price attainable in the (open) market after proper marketing, whatever that price may be. The factual circumstances of the actual property owner are not a part of this consideration because the 'willing seller' is a hypothetical owner.
- 3.2.6 '**... in an arm's-length transaction ...**' Is one between parties who do not have a particular or special relationship (for example, parent and subsidiary companies or landlord and tenant) which may make the price level uncharacteristic of the market or inflated because of an element of *Special Value*, (see IVS 2, paragraph 3.8). The *Market Value* transaction is presumed to be between unrelated parties each acting independently.
- 3.2.7 '**... after proper marketing ...**' Means that the property would be exposed to the market in the most appropriate manner to effect its disposal at the best price reasonably obtainable in accordance with the Market Value definition. The length of exposure time may vary with market conditions, but must be sufficient to allow the property to be brought to the attention of an adequate number of potential purchasers. The exposure period occurs prior to the valuation date.
- 3.2.8 '**... wherein the parties had each acted knowledgeably, prudently ...**' Presumes that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the property, its actual and potential uses and the state of the market as of the date of valuation. Each is further presumed to act for self-interest with that knowledge and prudently to seek the best price for their respective positions in the transaction. Prudence is assessed by referring to the state of the market at the date of valuation, not with benefit of hindsight at some later date. It is not necessarily imprudent for a seller to sell property in a market with falling prices at a price which is lower than previous market levels. In such cases, as is true for other purchase and sale situations in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time.
- 3.2.9 '**... and without compulsion**' Establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it.
- 3.3 *Market Value* is understood as the value of a property estimated without regard to costs of sale or purchase and without offset of any associated taxes."



SCHEDULE 2:

Conditions and Assumptions

These are the conditions and Assumptions upon which our estimates of value and reports are normally prepared and form an integral part of our appointment together with our related Engagement Letter and DTZ Terms and Conditions. These conditions and Assumptions apply to the estimates of value that will be the subject of this instruction. We shall make certain Assumptions in relation to facts, conditions or situations affecting the subject of, or approach to, our estimate of value that we will not verify as part of the valuation process but rather, as per the Glossary to the RICS Valuation Standards (Red Book), will treat as "a supposition taken to be true". In the event that any of these Assumptions prove to be incorrect then our estimates of value will need to be reviewed.

Basis of Estimate of Values

The properties will be valued on the basis/bases set out in the Engagement Letter as those terms are defined in the Schedule attached thereto.

Title

RBS has instructed us not to consider title deeds for any property. Unless specifically advised to the contrary by you or your legal adviser, we shall make the Assumption that titles are good and marketable and are free from rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoings. We shall also make the Assumption that the property is free from mortgages, charges or other encumbrances.

Where a Report is required to contain site plans these will be based on extracts of the Ordnance Survey or other maps showing, for identification purposes only, our understanding of the extent of title based on site inspections or copy title plans supplied to us. If verification of the accuracy of these plans is required the matter must be referred by you to your solicitors.

Condition of structure and services, deleterious materials

It is a condition of DTZ or any related company, or any qualified employee, providing advice and opinions as to value, that the client and/or third parties (whether notified to us or not) accept that any Report in no way relates to, or give warranties as to, the condition of the structure, foundations, soil and services.

Our estimate of value, will take account of the general condition of the property as observed from the valuation inspection if undertaken. Where a separate condition or structural survey has been undertaken and made available to us, we shall reflect the contents of the survey report in our estimate of value, but may need to discuss the report with the originating surveyor.

Due regard will be paid to the apparent state of repair and condition of the property, but a condition survey will not be undertaken, nor will woodwork or other parts of the structure which are covered, unexposed or inaccessible, be inspected. Therefore, we will be unable to report that the property is structurally sound or is free from any defects. We will make an Assumption that the property is free



from any rot, infestation, adverse toxic chemical treatments, and structural or design defects other than such as may be mentioned in our Report.

We will not arrange for investigations to be made to determine whether high alumina cement concrete, calcium chloride additive or any other deleterious material have been used in the construction or any alterations, and therefore we will not be able to confirm that the property is free from risk in this regard. For the purposes of our estimates of value(s), we will make an Assumption that any such investigation would not reveal the presence of such materials in any adverse condition.

We will not carry out an asbestos inspection and will not act as an asbestos inspector in completing the valuation inspection of properties that may fall within the Control of the Asbestos at Work Regulations 2002. We will not make an enquiry of the duty holder (as defined in the Control of Asbestos of Work Regulations 2002), of an existence of an Asbestos Register or of any plan for the management of asbestos to be made. Where relevant, we will make an Assumption that there is a duty holder, as defined in the Control of Asbestos of Work Regulations 2002 and that a Register of Asbestos and Effective Management Plan is in place, which does not require any immediate expenditure, or pose a significant risk to health, or breach the HSE regulations. We advise that such enquiries be undertaken by a lawyer during normal pre-contract or pre-loan enquiries.

No mining, geological or other investigations will be undertaken to certify that the site is free from any defect as to foundations. We will make an Assumption that the load bearing qualities of the site of the property are sufficient to support the buildings constructed, or to be constructed thereon. We will also make an Assumption that there are no services on, or crossing the site in a position which would inhibit development or make it unduly expensive, and that there are no abnormal ground conditions, nor archaeological remains present, which might adversely affect the present or future occupation, development or value of the property.

No tests will be carried out as to electrical, electronic, heating, plant and machinery equipment or any other services nor will the drains be tested. However, we will make an Assumption that all services, including gas, water, electricity and sewerage, are provided and are functioning satisfactorily.

Plant and Machinery

No allowance will be made for any items of plant or machinery not forming part of the service installations of the building. We will specifically exclude all items of plant, machinery and equipment installed wholly or primarily in connection with any of the occupants' businesses. We will also exclude furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools.

Goodwill

No account will be taken in our estimates of value(s) of any business goodwill that may arise from the present occupation of the property.

Floor areas and inspections

RBS has instructed DTZ not to inspect or measure the properties, and also to rely on floor areas provided to them. We assume all measurements are calculated in accordance with the Code of Measuring Practice as prepared by the Royal Institution of Chartered Surveyors (the "Code").



Environmental matters, including flooding

RBS has instructed DTZ not to make enquiries of the relevant Local Authority or the local Environmental Health Officers regarding environmental matters including contamination and flooding. We shall have regard to any environmental reports which may be produced. However, we shall not provide a formal environmental assessment.

If any reports indicate the existence of environmental problems without providing method statements and costings for remedial works, then we may not be able to issue a Report except on the Special Assumption that the subject property is assumed NOT to be affected by such environmental matters. In certain circumstances, the making of such a Special Assumption may be unrealistic and our Report may include a statement that we have made a Departure from the requirements of the RICS Valuation Standards. In these circumstances, our Report may include a recommendation that an investigation should be undertaken to quantify the costs and that subsequently our estimates of value(s) should be reviewed.

Unless you instruct us otherwise, our estimates of value(s) will be based on an Assumption that no contamination or other adverse environmental matters exist in relation to the property sufficient to affect value.

If a property lies within or close to a flood plain, or has a history of flooding, we shall make the Assumption that building insurance is in place and available to be renewed to the current or any subsequent owner of the property, without payment of an excessive premium or excess.

Depending on the nature of the investigations made, our Report may include a statement that, in practice, a purchaser might undertake further investigations and that if these revealed contamination or other environmental problems, then this might reduce the estimate of value reported.

Statutory requirements and planning

RBS has instructed DTZ not to make verbal or written enquiries of the relevant planning authorities as to the possibility of highway proposals, comprehensive development schemes and other ancillary planning matters that could affect property values. We have not made investigations to ascertain whether any outstanding planning applications exist which may affect the property, and whether it is listed or included in a Conservation Area. We have not attempted to verify the existing permitted use of the property, nor have we endeavoured to have sight of any copies of planning permissions.

Risk Assessments compliant with the requirements of the Regulatory Reform (Fire Safety) Order 2005. Similarly, we shall also make the Assumption that the property is not subject to any outstanding statutory notices as to its construction, use or occupation and that the existing use of the properties are duly authorised or established and that no adverse planning conditions or restrictions apply.

We shall make the Assumption that the property complies with all relevant statutory requirements.

In instances where we are to value property with the benefit of a recently granted planning consent, or on the Special Assumption that planning consent is granted, we will make an assumption that it will not be challenged under Judicial Review. Such a challenge can be brought by anyone (even those with only a tenuous connection with the property, or the area in which it is located) within a period of



three months of the granting of a planning consent. When a planning consent is granted subject to a Section 106 Agreement, the three month period commences when the Section 106 Agreement is signed by all parties.

If a planning consent is subject to Judicial Review, we must be informed and asked to reconsider our opinion of value. Advice would be required from your lawyer and a town planner, to obtain their opinion of the potential outcomes of such a Judicial Review, which we will reflect in our reconsideration of value.

Defective Premises Act 1972

No allowance will be made for rights, obligations or liabilities arising under the Defective Premises Act 1972.

Leasing

We will not be provided with copies of individual leases, we will however be provided for tenancy schedules for each property, and RBS have instructed us to rely on these. We will make an Assumption that any relevant documents/schedules sent to us are complete and up to date unless we have actual knowledge to the contrary.

We will not undertake investigations into the financial strength of any tenant(s). Unless we have become aware by general knowledge, or we have been specifically advised to the contrary, we will make an Assumption that:

where a property is occupied under leases then the tenants are financially in a position to meet their obligations, and

there are no material arrears of rent or service charges, breaches of covenant, current or anticipated tenant disputes.

However, our estimates of value(s) will reflect the market's general perception of the credit worthiness of the type of tenant(s) actually in occupation or responsible for meeting lease commitments, or likely to be in occupation.

We will also make an Assumption that wherever rent reviews or lease renewals are pending or impending, with anticipated reversionary increases, all notices have been served validly within the appropriate time limits.

Legal issues

Legal issues, and in particular the interpretation of matters relating to title and leases, may have a significant bearing on the value of an interest in property. No responsibility or liability will be accepted for the true interpretation of the legal position of our client or other parties. Where we express an opinion upon legal issues affecting the estimates of value(s), then such opinion should be subject to verification by the client with a suitable qualified lawyer. In these circumstances, we accept no responsibility or liability for the true interpretation of the legal position of the client or other parties in respect of the estimate of value(s) of the property and our Report will include a statement to this effect.



Information

We shall make the Assumption that the information provided by RBS in respect of the properties to be valued (excluding information contained in the Third Party Reports (save for the factual information only contained therein)) is both full and correct and any Report will contain a statement to this effect. We shall make the Assumption that details of all matters relevant to value within your collective knowledge, such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions, have been made available to us, and that such information is up to date.

Deduction of notional purchaser's costs

The estimate of value(s) which we will attribute to the properties is the figure we consider would appear in a contract for sale, subject to the appropriate assumptions for the appropriate basis of value. Where appropriate, we will make an allowance in respect of stamp duty and purchaser's costs.

Taxation

No adjustment will be made to reflect any liability to taxation that may arise on disposal, nor for any costs associated with disposal incurred by the owner. Furthermore, no allowance will be made to reflect any liability to repay any government or other grants, taxation allowance or lottery funding that may arise on disposal.

Our estimate of value(s) figure for each property will be that receivable by the willing seller excluding VAT, if applicable.

Properties in the course of development or requiring repair/refurbishment

Unless specifically agreed to the contrary, our fee assumes that we will be provided with information relating to construction and associated costs in respect of both the work completed and the work necessary for completion, together with a completion date. Normally such figures will be provided by the quantity surveyors involved in the construction programme. Unless specifically instructed to the contrary we will be relying upon these figures, and you should make this fact known to them. Alternatively, we can arrange for independent quantity surveyors to provide an assessment at an additional fee charge.

If the building is in the course of construction then our estimate of value(s) of the completed building will be based on an Assumption that all works of construction have been satisfactorily carried out in accordance with the building contract and specification, current British Standards and any relevant codes of practice. We will also make an Assumption that a duty of care and all appropriate warranties will be available from the professional team and contractors, which will be assignable to third parties.



SCHEDULE 3:



SCHEDULE 4:

Ref	Case Name
1	PPH1 Property Loan
2 & 3	Alpha Property Loans
4	Blue Property Loan
5	Barchester Property Loan
6	Warner Property Loan
7	Heathrow/V&A Property Loan
8	Toys R Us Property Loan
9	DFS Property Loan
10	Prestbury Property Loan
11 & 12	London & Westcountry Property Loans
13	Marlow Property Loan
14	Multi Southgate Property Loan
15	Urban Splash Property Loan
16	Mapeley Property Loan
17	Falcon Property Loan
18	Bravo Property Loan
19 & 20	Structadene Property Loans
21	Primepanel Property Loan
22	Beaucette Property Loan
23	Pimlico Property Loan
24	Barracuda Property Loan
25	Kingswood Property Loan
26	Craighurst Property Loan
27	Charlie Property Loan
28	Rivlin ABP Property Loan
29	Delta Property Loan
30	Caspar Property Loan
31	Echo Property Loan
32	Rivlin Property Loan
33	Trustees of the Sugar Mill Property Loan
34	Red Property Loan
35	Green Property Loan
36	Yellow Property Loan
37	Orange Property Loan

Schedule 4



Appendix 2

Summary of Market Values



SCHEDULE

Loan No.	Loan Description	Properties	Tenure	Property Type	Tenancies	Desktop Market Value as at 31 December 2011
01	PPH1	84 properties located throughout the United Kingdom.	68 properties are freehold, three are part freehold and part long leasehold, 12 are long leasehold and one is short leasehold expiring in 2053. The aggregate rents payable in respect of the leasehold interest is £176,251 per annum.	80 car showrooms in 78 properties (one property has three dealerships on site) five industrial/workshop properties and one self-contained office building.	53 of the properties are let on leases expiring in December 2031. The rents are subject to upward only annual increases in line with RPI subject to a maximum of 2.77%. The remaining 31 properties are let on leases expiring in October 2025. The rents are subject to annual increases of 2.25%. The lease are all on full repairing and insuring terms. The estimated aggregate gross annual rents are £17,561,482	£193,205,000
02 & 03	Alpha	A total of 127 commercial properties, which are located throughout the UK, predominantly in city centre locations	A mix of freehold, long leasehold and short leasehold. The tenant pays all ground rents under the head leasehold interests.	Commercial Property	All of the leases had approximately 24 years and six months unexpired as at the Valuation Date. The total rent currently receivable is £46,932,831 pa, which was fixed in June 2011. The rent is subject to annual increases. The basis of the increase varies depending on the type of lease.	£630,000,000
04	Blue	A shopping centre in Cumbria.	Held on four leases expiring in 2206 at a current rent of £596,223 pa. The rent is reviewed annually to the higher of the aggregate	Shopping centre.	Let to 48 tenants. 10 units are vacant with one under offer. Excluding the unit under offer, the property is 15.7% vacant by ERV. The estimated aggregate gross annual rent is	£31,500,000



SCHEDULE

Loan No.	Loan Description	Properties	Tenure	Property Type	Tenancies	Desktop Market Value as at 31 December 2011
			of the base rents of £300,000 pa or 18% of the passing rent received each year.		£3,312,350	
05	Barchester	160 properties located throughout the United Kingdom.	Predominantly freehold with eight long leasehold properties.	Nursing homes offering long-term elderly care, with a total of 10,291 beds.	Subject to three master leases – 30 years from October 2006 (unexpired term of c.24.75 years) Upward only annual rent reviews based on RPI with 5% cap and 0% collar. The estimated aggregate gross annual rents are £79,245,343 per annum.	£1,200,000,000
06	Wamer	A mixed-use portfolio of 24 properties comprising office, industrial and retail investment assets, predominantly located in the South East of England.	The portfolio is predominantly freehold, with the exception of properties in Farnborough, London, Slough and Whiston which are long leasehold. The Farnborough, Slough and Whiston properties are held long leasehold at peppercorn or de minimis ground rents, and the London property is held long leasehold at 5.00% of gross rents receivable.	There are 13 retail properties (mixture of high street shops, retail warehousing, showrooms and a shopping centre); 6 office properties; and 5 industrial properties. There is a small element of residential use within the portfolio.	Multi let to 73 tenants, excluding residential tenancies. The current aggregate gross annual rents are £6,356,413 per annum. There are 10 vacant units. The portfolio is 3.21% vacant by ERV.	£70,030,000



SCHEDULE

Loan No.	Loan Description	Properties	Tenure	Property Type	Tenancies	Desktop Market Value as at 31 December 2011
07	Heathrow/V&A	Portfolio of two hotels, Park inn Heathrow Airport and Marriott Hotel, Manchester.	Both properties are held part freehold and part leasehold, with the hotel element being held freehold and some ancillary uses being held leasehold.	Hotels.	<p>Park Inn: Operated by Rezidor Hospitality Ltd on a 30-year full repairing and insuring lease from 2001 expiring July 2031. Guarantor is Rezidor Hotel Group</p> <p>Marriott Hotel: Let to Marriott V&A Hotel Operating Company Limited by way of a 50-year operating lease from 2004 expiring February 2054</p> <p>The current net income is £9,556,400 per annum.</p>	£85,650,000
08	Toys R Us	31 properties located throughout the United Kingdom.	<p>17 properties are freehold and 14 are long leasehold.</p> <p>The aggregate rents payable in respect of the leasehold interest is £61,987 per annum.</p>	30 retail outlets predominantly out of town and one distribution warehouse.	<p>All the properties are let on leases expiring in February 2035. The rents are subject to upward only annual reviews in line with RPI subject to five yearly market reviews if higher.</p> <p>The estimated aggregate gross annual rents are £33,289,879 per annum.</p>	£491,560,000
09	DFS	27 properties located throughout the United Kingdom.	<p>19 properties are freehold, one is part freehold and part long leasehold and seven are long leasehold.</p> <p>The aggregate rents payable in respect of the leasehold interest is £50,085 per annum.</p>	21 retail outlets predominantly out of town, five manufacturing or warehouse properties and one mixed retail and warehouse property.	<p>All the properties are let on leases expiring in March 2030. The rents are subject to annual uplifts of 3.00% until March 2015 when they are subject to upward only rent reviews to market rental value every five years.</p> <p>The estimated aggregate gross annual rents are £15,844,540 per annum.</p>	£212,000,000



SCHEDULE

Loan No.	Loan Description	Properties	Tenure	Property Type	Tenancies	Desktop Market Value as at 31 December 2011
10	Prestbury	211 properties located throughout the United Kingdom.	205 properties are freehold and 6 are long leasehold. The aggregate rents payable in respect of the leasehold interests are nominal.	All 211 properties are Public Houses.	All properties are let on identical lease terms expiring in March 2034. The rents are subject to fixed uplifts of 2.5% per annum for the first 20 years, with a rent review in year 15 (2019) to the higher of the fixed uplift or open market rental value. From this point onwards the tenancies are subject to five yearly upward only rent reviews to open market rental value in 2024 and 2029. All properties have the same lease Guarantor, of Punch Taverns (PGE) Ltd, and are let to nine different tenants, all of which are operating subsidiaries of Punch Taverns Plc. The estimated aggregate gross annual rents are £35,788,987.	£420,000,000
11 & 12	London & Westcountry	A portfolio of 25 properties comprising industrial and trade counter investment assets in secondary locations across South West England.	The properties are freehold.	There are 24 industrial properties (industrial estate, trade counter) and 1 retail property (retail warehouse).	Multi let to 281 tenants. The current aggregate gross annual rents are £5,152,334 per annum. There are 26 vacant units. The portfolio is 7.26% vacant by ERV.	£50,230,000
13	Marlow	A single office building located on Globe Park, Marlow.	Freehold.	The property comprises a multi-let out of town office building.	The property is let on eight separate leases expiring between June 2014 and December 2025, with two leases having break options in 2016 and four in 2020. The leases are subject to five yearly rent reviews to Market Rent.	£50,000,000



SCHEDULE

Loan No.	Loan Description	Properties	Tenure	Property Type	Tenancies	Desktop Market Value as at 31 December 2011
					<p>The leases are all on effective full repairing and insuring terms.</p> <p>The estimated aggregate gross annual rents is £4,083,395</p>	
14	Multi Southgate	<p>The property comprises the recently completed Southgate Shopping Centre in central Bath. The property was developed in three phases (with the fourth Railway Station phase currently under construction) arranged in six separate blocks.</p> <p>The scheme is anchored by Debenhams, who have a 11,613 sq m (125,000 sq ft) store at the south corner, with other large users including Boots, New Look, Sainsburys, Urban Outfitters, Apple, Top Shop and H&M.</p>	<p>The property is subject to a new 250 year head lease from practical completion.</p> <p>The ground rent has a minimum of £1.2m, with a gearing of 5.00% of passing rents.</p> <p>We understand that Multi own a 50% stake in the scheme, with Aviva Investors owning the remaining 50%.</p>	Retail (shopping centre).	<p>Multi let to 59 tenants, excluding residential tenancies.</p> <p>There are 7 vacant retail units, vacant 2nd floor office accommodation and 61 vacant residential units (the remaining 13 units having been sold long leasehold). The property is 9.7% vacant by ERV (excluding the residential).</p> <p>The current aggregate gross annual rents are £10,961,579 per annum.</p>	£221,800,000



SCHEDULE

Loan No.	Loan Description	Properties	Tenure	Property Type	Tenancies	Desktop Market Value as at 31 December 2011
15	Urban Splash	35 properties located in the Midlands and the North West of England, with a bias towards Liverpool and Manchester.	12 properties are held leasehold and the remaining 23 properties are held freehold. The aggregate rent payable in respect of the long leasehold interests is £21,640 per annum	The portfolio provides a mixture of uses including retail, office or leisure uses on the ground floor and residential r office uses above. The portfolio provides 133 residential units, 73 retail units, 258 office units and 288 car parking units.	The residential units are typically let on AST, periodic tenancies or have been sold off on long leases at ground rents. The current aggregate gross annual rents are £10,404,373 per annum.	£107,215,000
16	Mapeley	27 properties located throughout the United Kingdom	27 properties are freehold, one is part freehold and part long leasehold and six are long leasehold. The aggregate rents payable in respect of the long leasehold interests is £2,905,349 per annum.	24 office buildings, three of which have retail to the ground floor, and one call centre building.	Properties are let to a variety of different tenants, on predominantly short term leases. There is a high void rate, with 20.5% of total floor space currently vacant. The two largest tenants based on passing rent within the portfolio are BT plc, with a large data centre in Cardiff, and The Secretary of State, with a number of leases to Mapeley STEPS Ltd in properties across the UK. The estimated aggregate gross annual rents are £13,540,195.	£123,925,000
17	Falcon	The portfolio comprises a total of 18 car auction centres, which are located throughout the UK, predominantly in edge of town locations,	16 of the properties are held freehold, one is held long leasehold and one is part freehold/part leasehold. The headlease rents are	Car Auction Centres.	All of the leases are for a term of 25 years from 29 September 2006 (approximately 19 years 9 months unexpired) The estimated aggregate gross rents are £20,158,869 per annum	£260,000,000



SCHEDULE

Loan No.	Loan Description	Properties	Tenure	Property Type	Tenancies	Desktop Market Value as at 31 December 2011
		near to primary transport links.	£146,475 per annum.			
18	Bravo	11 properties situated in the south east with 8 located in central London.	All the properties are freehold.	The properties are generally mixed use comprising retail office and residential uses.	The properties are let on 63 leases with a variety of expiry dates. There are 3 vacant units The estimated aggregate gross annual rents are £2,221,138 per annum.	£29,205,000
19 & 20	Structadene	18 properties throughout the United Kingdom with 10 located in London.	17 properties are freehold and one is long leasehold. The leasehold property is subject to a peppercorn rent.	The London properties are generally mixed use with ground floor retail or restaurant uses and upper floors occupied for residential or office purposes. The remaining properties are retail, warehouse or residential.	The properties are let on 61 leases with a variety of expiry dates with the residential let either on Assured Shorthold Tenancies or ground leases. There are 14 vacant units. The estimated aggregate gross annual rents are £2,425,394 per annum.	£31,870,000
21	Primepanel	The portfolio comprises a total of 15 car parks which are located throughout England and Scotland.	Two of the properties are held freehold, 13 are held long leasehold Those properties held via long leasehold are subject to a variety of terms, ranging from peppercorn rental to RPI linked leases	Car Parks.	There are no occupational leases in place.	£31,800,000



SCHEDULE

Loan No.	Loan Description	Properties	Tenure	Property Type	Tenancies	Desktop Market Value as at 31 December 2011
22	Beaucette	The property comprises a business park located approximately three miles to the east of Leeds city centre.	The portfolio is 100% freehold.	Offices (12 individual office units and a high tech office/industrial unit).	Multi let to 11 tenants with one vacant unit. The property is 5.8% vacant by ERV. All of the units are let on leases expiring between March 2012 and March 2017. The current aggregate gross annual rents are £546,915 per annum.	£4,800,000
23	Pimlico	The property comprises a supermarket and eight retail units forming part of a larger development with seven stories of residential above.	The property is subject to a 999 year head lease from 12 September 2003 at a peppercorn rent without review.	Retail (foodstore and high street retail units).	The property is let in its entirety to Sainsbury's Supermarkets Limited on nine separate leases, one for the main food store element and one for each of the eight unit shops. All are full repairing and insuring leases with 46 years unexpired. The current aggregate gross annual rents are £2,149,935 per annum.	£50,600,000
24	Barracuda	The portfolio comprises 71 pubs located throughout the UK. The majority of the pubs are located within England, albeit there are three properties in Scotland	Freehold (with the exception of six, which are held on long leases and four which are held part freehold and part leasehold).	Public Houses.	The pubs are let on individual leases from July 2005 for a term of 25 years (18.5 years unexpired). The estimated aggregate gross annual rents are £5,401,419 per annum.	£56,700,000



SCHEDULE

Loan No.	Loan Description	Properties	Tenure	Property Type	Tenancies	Desktop Market Value as at 31 December 2011
		and three in Wales. Approximately 55% of the properties within the portfolio are located in the north of the country.				
25	Kingswood	A single office building located in Kingswood, Surrey	Freehold	A headquarters campus office building extending to about 25,800 sq m (277,710 sq ft).	Let on a full repairing and insuring leases expiring in August 2025. The gross annual rent is £4,300,000 per annum.	£57,200,000
26	Craighurst	Leconfield House, Curzon Street, Mayfair, W1	Freehold.	Office building on ground to seventh floor.	Fully let to eight different tenants, which are predominantly financial and professional services firms. The estimated aggregate gross annual rents are £5,207,299.	£98,500,000
27	Charlie	The hotel comprises a full service 4-star hotel, located in a prominent location in Leeds city centre.	Freehold. We understand that the tenant has purchased the freehold but have not been advised if the lease structure has been collapsed.	Hotel	A 99-year lease from November 2000 with a tenant's option to extend for a further 51 years. The gross annual rent is £1,133,665 per annum.	£14,250,000
28	Rivlin ABP	Three properties located in central London, and one property in Camberley, Surrey.	The Camberley and Tothill Street properties are held freehold, with the two New Bond Street properties held long leasehold (virtual freehold)	There are 3 retail properties and 1 office property.	Fully let to six tenants on full repairing and insuring terms. The current aggregate gross annual rents are £3,473,500 per annum.	£74,475,000



SCHEDULE

Loan No.	Loan Description	Properties	Tenure	Property Type	Tenancies	Desktop Market Value as at 31 December 2011
			until 3889. The aggregate rents payable in respect of the leasehold interests are £77 per annum.			
29	Delta	The hotel is situated in a prime Cardiff city centre location. The hotel is a full service, four-star hotel.	The property is held on two 999 year leases.	Hotel	The operator currently manages the hotel on a long lease and the health club and retail provision is on a separate 15-year lease. The gross annual rent is £778,377 per annum.	£10,125,000
30	Caspar	26 properties located throughout the United Kingdom. 20 properties are located in the south east, 2 properties in the Midlands, 1 property in the south west, and 3 properties in Scotland.	19 properties are freehold, six are long leasehold, and one is short leasehold expiring in 2027. The aggregate head rents payable in respect of the leasehold interests is £12,856 per annum.	11 industrial properties (Gillingham Business Park incorporates some offices and development land and has been sub divided into 4 elements); 7 office properties; 5 retail warehouses; and 3 retail properties.	A mix of single let and multi let properties. 12 of the properties are single let and 14 properties are multi let. The portfolio comprises a total of 231 occupational leases the majority of which are let to national and international covenants. The current aggregate gross annual rents are £21,846,684 per annum.	£240,285,000
31	Echo	The hotel is located in Nottingham city centre.	Leasehold by way of two long leases with approximately 134 years and 49 years six months unexpired at the Valuation Date. We understand that the tenant has recently bought the	Hotel	Let to an operator on a long lease. The gross annual rent is £518,127 per annum.	£6,000,000



SCHEDULE

Loan No.	Loan Description	Properties	Tenure	Property Type	Tenancies	Desktop Market Value as at 31 December 2011
			leasehold interest of the Property but we have not been advised as to whether the lease structure has been collapsed.			
32	Rivlin	5 properties located in central London.	Freehold.	Five single let high street retail properties. One of the properties (202-204 Westbourne Grove) has residential upper floors.	Multi let to six tenants on full repairing and insuring terms. The current aggregate gross annual rents are £1,530,000 per annum.	£30,850,000
33	Trustees of the Sugar Mill	Two properties comprising industrial and trade counter investment assets in South West England.	Freehold.	Two industrial / trade counter properties.	Multi let to 30 tenants. The current aggregate gross annual rents are £226,361 per annum.	£1,540,000
34	Red	A leisure development in Hertfordshire.	Freehold.	A retail and leisure development with three bars, three retail units and a health club.	Let to five tenants with two retail units vacant. The estimated aggregate gross annual rent is £360,500	£4,000,000
35	Green	Commercial property in the Isle of Man.	Freehold.	Commercial property.	Let to two tenants till 2021 and 2024. The estimated aggregate gross annual rent is £438,000	£6,265,000



SCHEDULE

Loan No.	Loan Description	Properties	Tenure	Property Type	Tenancies	Desktop Market Value as at 31 December 2011
36	Yellow	Commercial property in the Isle of Man.	Freehold.	Commercial property.	Let to 14 tenants. The property is 12.7% vacant by ERV. The estimated aggregate gross annual rent is £662,764	£6,800,000
37	Orange	Nine properties located throughout the United Kingdom.	Seven properties are freehold. There are two long leasehold properties on headleases expiring in 2124 and 2187. The ground rent for one property is fixed at £53,096 pa and the ground rent for the other property is geared to 35% of the passing rent.	A mixed-use portfolio of 9 properties comprising one leisure property, one office buildings and seven retail properties, including a car showroom.	This portfolio comprises 12 tenants. The leases are generally on full repairing and insuring terms. The estimated aggregate gross annual rent is £1,786,242.	£23,390,000



Appendix 3

Summary of Definitions



Summary of Definitions

Market Value	<p>The 7th edition of the RICS Valuation Standards ("The Red Book") definition of Market Value is as follows: "The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."</p> <p>The process to determine the Market Values as defined above, do not comply with the 7th edition of the RICS Valuation Standards, due to limited due diligence undertaken.</p>
Gross Rent	<p>The current gross rent represents the total income receivable from the property at the date of valuation. In the case where a rent review is outstanding at the date of valuation and a reversionary increase is anticipated, the gross rent includes the reversionary increase as if it were payable at the date of valuation.</p> <p>Similarly if a lease has expired but for the purpose of the valuation it is assumed that the tenant will renew the lease at current rental value, the gross rent includes the rental value of that particular lease as the tenant continues to hold over pending conclusion of a new tenancy.</p> <p>Where any rent free incentive periods exist under tenancies, the immediate contractual rent for assessing the estimate of value will be zero, with the step to the documented income at the specified future date.</p>
Net Rent	<p>The current net rent represents the current gross rent less any or all of the following:-</p> <ul style="list-style-type: none">Ground rentIrrecoverable revenue outgoingsLoss of income due to a permanent void allowance.
Rent Free Periods	<p>Further, for any lease which is contracted, but not income producing (in a rent free incentive period) as at the date of the estimate of value, the contractual rental income documented has not been included in the gross or net rent figures, until the future specified date.</p>
Passing Rent	<p>The 'passing' rent can be simply defined as the rent (gross or net) as at the relevant date of estimate of value.</p>
Purchasers Costs	<p>Full purchaser's costs allowed as at 31 December 2011 are 5.80%.</p>

GLOSSARY OF DEFINED TERMS

The following defined terms are relevant for the purposes of this Prospectus and, in particular, the sections entitled "Summary of the Borrower Transaction Documents".

"Affiliate" means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

"Affiliated Mezzanine Agent" means any person designated to act as **"agent"** for and on behalf of the Affiliated Mezzanine Debt Providers pursuant to the terms of the Affiliated Mezzanine Finance Documents.

"Affiliated Mezzanine Debt Providers" means any finance party specified in the Affiliated Mezzanine Finance Documents.

"Affiliated Mezzanine Finance Documents" means each and all of the agreement, documents and instruments evidencing any Affiliated Mezzanine Debt between one or more junior creditors and/or any Affiliate of any of them, as lender(s), and the Borrower, as borrower, that is permitted under the Senior Facility Agreement and all security and other finance documents ancillary to such loan.

"Alpha Asset" means the Alpha Property Loans together with certain Ancillary Rights relating to it.

"Asset Existing Swap" means an interest rate or inflation hedging arrangement in place between an Asset Existing Swap Provider and an Asset Level Obligor in respect of interest payable in respect of an Asset thereto or any underlying lease in respect of a property in relation to an Asset (as the case may be).

"Asset Existing Swap Payment" means any payment due to an Asset Existing Swap Provider from the Borrower or an Asset WorkoutCo (as applicable) pursuant to the Asset Existing Swaps Protocol Agreement.

"Asset Existing Swap Provider" means the entity that is the swap counterparty to the Asset Level Obligor under an Asset Existing Swap from time to time which, in the case of the Declaration of Trust Deed, means RBS or any entity which becomes an asset existing swap provider in accordance with the Declaration of Trust Deed and in respect of an Asset Existing Swaps Protocol Agreement, means the entities identified as such in that agreement from time to time.

"Asset Existing Swaps Protocol Agreement" means the protocol described in *"Asset Level Borrower Hedging"*.

"Asset Level Enforcement Action" means any enforcement of any Asset Level Security or New Asset Level Security relating to an Asset by or on behalf of the Borrower.

"Asset Level Finance Documents" means in respect of any Asset, each finance document relating thereto, including any:

- (a) Asset Level Loan Agreement;
- (b) intercreditor agreement or equivalent arrangement entered into by the relevant Asset Level Lender (howsoever defined therein) and other creditors of an Asset Level Obligor regulating their respective debts;
- (c) subordination agreement or equivalent arrangement entered into by the relevant Asset Level Lender and other creditors of an Asset Level Obligor regulating their respective debts;
- (d) all Security in favour of (directly or indirectly) the relevant Asset Level Lender (howsoever defined therein) (or a security trustee or a designated trustee for the relevant Asset Level Lender) which secure amounts due to such relevant Asset Level Lender under the agreement described above ("**Asset Level Security**");
- (e) duty of care agreement entered into in favour of the relevant Asset Level Lender in respect of asset or loan administration, property management and cash management agreement and the Declaration of Trust Deed in respect of such Asset;

- (f) documents relating to any Asset level hedging arrangements relating to such Asset;
- (g) any transfer certificate, assignment agreement, novation agreement or other documentation required by the terms and conditions of the Asset Level Finance Documents listed above and applicable law to effect, perfect and document a transfer of rights and obligations by the Asset Level Lender under the Asset Level Finance Documents listed above to the Borrower in its capacity as a new Asset Level Lender under such Asset Level Finance Documents; and
- (h) any other agreement amending the terms or effect of any of the documents above entered into by or on behalf of the Asset Level Lender, including supplements, side letters and any other comparable documents.

"Asset Level Insurance Proceeds" means the proceeds of any claim under an insurance policy that an Asset Level Obligor or New Asset Level Obligor (as applicable) has an interest in which may be applied in prepayment of any Asset Level Secured Obligations or New Asset Level Secured Obligations (as applicable) in accordance with the terms of any Asset Level Finance Document or any New Asset Level Finance Document (as applicable).

"Asset Level Insurance Proceeds Costs" has the meaning given to such term in the definition of **"Asset Level Net Insurance Proceeds"**.

"Asset Level Lender" means a **"Lender"** under (and howsoever defined in) the relevant Asset Level Finance Documents or New Asset Level Finance Documents (as applicable);

"Asset Level Loan Agreement" means, in respect of any Asset, each credit agreement entered into between an Asset Level Obligor and *inter alia* the relevant Asset Level Lender which creates or evidences such Asset.

"Asset Level Mortgage Security Document" means each mortgage granted over an Asset Level Property in favour of (directly or indirectly) the relevant Asset Level Lender (or a security trustee or a designated trustee for the relevant Asset Level Lender) which secures amounts due to such relevant Asset Level Lender under the relevant Asset Level Loan Agreement.

"Asset Level Net Insurance Proceeds" means any Asset Level Insurance Proceeds less third party costs and expenses which are reasonably and properly incurred by or on behalf of the Borrower or any WorkoutCo (as applicable) in recovering such Asset Level Insurance Proceeds (including any such costs and expenses which the Asset Manager is entitled to claim a reimbursement for under the terms of the Management Agreement) (**"Asset Level Insurance Proceeds Costs"**).

"Asset Level Obligor" means any obligor (howsoever described) and including any borrower, guarantor or third party security provider under any Asset Level Finance Document.

"Asset Level Secured Obligations" means any secured obligations under the Asset Level Finance Documents.

"Asset Level Security" has the meaning given to such term in paragraph (d) of the definition of **"Asset Level Finance Document"**.

"Asset Level Security Document" means each document entered into by an Asset Level Obligor (or other person) under which Asset Level Security has been granted in favour of (directly or indirectly) the relevant Asset Level Lender (or a security trustee or a designated trustee for the relevant Asset Level Lender) which secures amounts due to such relevant Asset Level Lender under the relevant Asset Level Finance Documents.

"Asset Level Subordinated Debt" means all present and future obligations and liabilities (whether actual or contingent, whether owed jointly, severally or in any other capacity whatsoever and whether originally incurred by the Asset Level Obligors or by some other person) of each Asset Level Obligor to the Asset Level Subordinated Creditors or any of them and which are subordinated pursuant to a subordination agreement or intercreditor agreement.

"Asset Level Transfer Documents" means the transfer certificates, accession documents and other documents in relation to the Assets.

"**Asset Residual Value**" means any residual value that remains with respect to an Asset to which a New Asset relates and which was the subject of a Credit Bid Restructuring Event.

"**Asset Residual Value Net Realisation Proceeds**" means, with respect to any Disposal of any Asset Residual Value, the Asset Residual Value Realisation Proceeds of such Disposal less:

- (a) third party realisation costs and expenses which are reasonably and properly incurred by or on behalf of any Obligor in recovering such proceeds (including any such costs and expenses which the Asset Manager is entitled to claim a reimbursement for under the terms of the Management Agreement) ("**Asset Residual Value Realisation Costs**"); and
- (b) any LIBOR breakage costs incurred on the realisation of any Asset Residual Value pursuant to the terms of any Asset Level Finance Document.

"**Asset Residual Value Realisation Costs**" has the meaning given to such term in the definition of "**Asset Residual Value Net Realisation Proceeds**".

"**Asset Residual Value Realisation Proceeds**" means, with respect to any Disposal of any Asset Residual Value, the amount of any proceeds of such Disposal

"**Asset WorkoutCo Realisation Proceeds**" means all General Realisation Proceeds received by an Asset WorkoutCo.

"**Asset WorkoutCo/Borrower Deferred Consideration**" means any deferred consideration payable by an Asset WorkoutCo to the Borrower in consideration for the transfer of an Asset to that Asset WorkoutCo by the Borrower.

"**Assets**" means the Property Loans and related Ancillary Rights, as may be amended, varied, limited, supplemented, restated and/or replaced from time to time.

"**Bank Accounts Protocol Agreement**" means the bank accounts protocol agreement dated 21 December 2011 between RBS, NatWest, the Borrower and the Asset Manager.

"**Barchester Asset**" the Barchester Property Loan together with certain Ancillary Rights relating to it.

"**Barracuda Asset**" means the Barracuda Asset together with certain Ancillary Rights relating to it.

"**Blackstone Affiliate**" means The Blackstone Group L.P. or any Associated Affiliate of The Blackstone Group L.P., including any investment fund managed or advised by any such Associated Affiliate.

"**Borrower Hedge Counterparty**" means any bank or financial institution appointed as a hedge counterparty pursuant to the terms of the Senior Facility Agreement (if any).

"**Borrower Hedge Document**" means each of the documents (if any) entered into by the Borrower and the Borrower Hedge Counterparty evidencing or relating to any interest or currency swap, cap, floor, collar or option transaction or any other treasury transaction or any combination of the same or any other transaction entered into in connection with protection against or benefit from fluctuation in interest or currency rates.

"**Borrower Legal Charges**" means each legal charge entered into or to be entered into by, amongst others, the Obligors in favour of the Borrower Security Trustee which is supplemental to the Borrower Debenture, but does not include any other Borrower Transaction Security.

"**Borrower Requisite Rating**" means the rating of long or short term (as appropriate) unsecured debt instruments in issue by a person (which are neither subordinated nor guaranteed) which meet the following requirements.

- (a) in relation to a bank at which a Borrower and Workout Control Account is held, a LoC/Bank Guarantee Provider or a swap counterparty;
- (b) short term instruments with ratings of at least A-1 by S&P;
- (c) long term instruments with ratings of at least A by S&P; and

- (d) in relation to any insurance company or underwriter, long term instruments with a rating, or a financial strength rating, in each case of at least A- by S&P.

"Borrower Secured Party" means all parties secured by the Borrower Transaction Security from time to time.

"Borrower Secured Property" means each of the assets and undertakings of the Obligors which from time to time are or are expressed to be the subject of the Borrower Transaction Security.

"Borrower Security Documents" means:

- (a) the Borrower Debenture;
- (b) the Intermediate HoldCo Shares Charge;
- (c) the Borrower Legal Charges;
- (d) the Junior Issuer Deed of Assignment;
- (e) the Special DC Deed of Assignment;
- (f) the Ordinary DC Deed of Assignment (1);
- (g) the Ordinary DC Deed of Assignment (2);
- (h) the Ordinary and Overage DC Deed of Assignment; and
- (i) the Borrower Irish Debenture,

and any other document entered into by any Obligor or any other person creating or expressed to create any Security over all or any part of its assets in respect of the Senior Secured Obligations.

"Borrower Transaction Documents" means each of:

- (a) the Senior Finance Documents;
- (b) the Management Agreement;
- (c) the Asset Loan Sale Agreement;
- (d) the Asset Level Transfer Documents;
- (e) the Disclosure Letter;
- (f) the Declaration of Trust Deed;
- (g) the Asset Existing Swaps Protocol Agreement;
- (h) the Tax Deed;
- (i) the Common Terms and Definitions Deed;
- (j) the Junior Finance Documents;
- (k) any Affiliated Mezzanine Finance Documents;
- (l) any Intercompany Mezzanine Finance Documents;
- (m) any third party mezzanine debt intercreditor deed;
- (n) any Third Party Mezzanine Finance Documents;
- (o) the Mezzanine Funding Agreement;

- (p) any WorkoutCo/Borrower Intercompany Documents;
- (q) the Conditional Asset Sale Agreement;
- (r) the Compensation Deed;
- (s) the Residual Amount Distribution Agreement;
- (t) the Framework Agreement;
- (u) the Costs Sharing Deed;
- (v) the Securitisation Floating Charge Debenture; and
- (w) any other document designated as such by the Senior Agent and the Obligors' Agent.

"Borrower Transaction Security" means the Security created or expressed to be created in favour of the Borrower Security Trustee pursuant to the Borrower Security Documents.

"Business Day" means a day (other than a Saturday or Sunday) on which banks are open for general business in London.

"Business Plan" has the meaning given to that term in *"Asset Management – Business Plans and Workout Strategies"*.

"Cash Diversion Protocol" means the making of payments by the Senior Agent into the Management Account following a request made by the Asset Manager pursuant to the Management Agreement in order to fund a Discretionary Permitted Payment.

"Cash Reserve Required Amount" means either:

- (a) until such time as the principal amount outstanding of the Senior Loan has been reduced to 50 per cent. or less of the Original Principal Amount, an amount equal to 5 per cent. of the principal amount outstanding of the Senior Loan from time to time; or
- (b) following such time as the principal amount outstanding of the Senior Loan has been reduced to 50 per cent. or less of the Original Principal Amount, at the discretion of the Borrower from time to time, an amount equal to between not less than 2.5 per cent. and not more than 5 per cent. of the principal amount outstanding of the Senior Loan from time to time.

"Caspar Asset" means the Caspar Property Loan together with certain Ancillary Rights relating to it.

"Colour Property Loans" means each of the Blue Property Loan, the Red Property Loan, the Green Property Loan, the Yellow Property Loan and the Orange Property Loan.

"Common Terms and Definitions Deed" means the common terms and definitions deed dated 21 December 2011 (as amended on or about 27 September 2012) and made between, among others, RBS (in multiple capacities), NatWest, HoldCo, Intermediate HoldCo, the Borrower (in multiple capacities), Loan Capital limited, EquityCo and Isobel Holding S.à r.l. (in multiple capacities) Blackstone Real Estate Special Situations Advisors L.L.C. and Blackstone (Isobel) Upper, L.P.

"Compensation Deed" means the compensation deed dated 21 December 2011 between RBS and NatWest as relevant swap provider, the Asset Manager and the Borrower.

"Compensation Payment" means certain payments due to an Obligor from a Relevant Swap Provider under the Compensation Deed.

"Compliance Certificate" means a compliance certificate delivered under the Senior Facility Agreement setting out details of compliance of certain provisions thereof.

"Conditional Asset Sale Agreement" means the conditional asset sale agreement dated 12 January 2012 entered into between the Borrower and Loan Capital Limited for the conditional sale of certain Assets.

"Confirmation Side Letter" means the letter so called and entered into between, among others, the Issuer and the Asset Sellers.

"Connected Loan" means certain Property Loans or (if applicable) New Property Loans which were made to the same company and/or are cross-collateralised with each other and treated as connected;

"Connection" means each Connected Loan and each Property Loan or New Property Loans which does not form part of a Connected Loan.

"Consent and Restructuring Fees" means any fees payable by any Asset Level Obligor or New Asset Level Obligor to the Borrower in relation to any consent granted by the Borrower to any amendment or restructuring of any Asset or New Asset, but excluding any exit fees payable on the partial or full realisation of any Asset or New Asset.

"Consent and Restructuring Fees Costs" has the meaning given to such term in the definition of **"Net Consent and Restructuring Fees"**.

"Contractually Committed Payments" are Discretionary Permitted Payments which a Managed Company has entered into a legally binding commitment to make;

"Core Representation Breach Recovery" means any payment due to a Core Representation Breach Seller from the Borrower pursuant to the price adjustment provisions in the Asset Loan Sale Agreement.

"Core Representation Breach Seller" means an Asset Seller of an Asset in relation to which one of the Core Representations has been breached.

"Core Representation Prepayment Amount Payment Breach" means the failure of any Asset Seller or the Borrower to deposit or to procure to be deposited into the Realisation Proceeds Account an amount equal to the applicable Core Representation Prepayment Amount on or before the date required under the terms of the Senior Facility Agreement.

"Costs Sharing Deed" means the costs sharing deed dated 21 December 2011 between, among others, RBS, HoldCo, Intermediate HoldCo, the Borrower, WorkoutCo, EquityCo, Isobel Holding S.à r.l., Blackstone (Isobel) Upper, L.P. (acting through its general partner, Blackstone Real Estate Special Situations Associates Europe NQ L.L.C.) and Blackstone Real Estate Special Situations Advisors (Isobel) L.L.C.

"Credit Bid Restructuring Event" means any event or circumstance where:

- (a) the whole or any part of an Asset Level Obligor's assets ("**Asset Level Obligor Transferred Assets**") are transferred to a New Asset Level Obligor on or following the occurrence of, or in lieu of, an Asset Level Enforcement Action relating to that Asset Level Obligor;
- (b) the purchase price of such Asset Level Obligor Transferred Assets is financed in whole or in part (directly or indirectly) by way of the entry into of a New Asset by the Borrower or an Asset WorkoutCo in favour of the relevant New Asset Level Obligor; and
- (c) the sales proceeds for such Asset Level Obligor Transferred Assets are used to discharge in whole or in part the relevant related Asset.

"DC Beneficiary" means any person entitled to deferred consideration pursuant to the Residual Amount Distribution Agreement.

"Debt" means the Senior Debt, any Affiliated Mezzanine Debt and the Junior Debt.

"Declaration of Trust Deed" means the declaration of trust deed dated 21 December 2011 as amended on 12 January 2012 between the Designated Trustees and the Borrower.

"Defaulting Lender" means any Lender at any time when:

- (a) it rescinds or repudiates a Senior Finance Document; and/or
- (b) an insolvency event has occurred and is continuing with respect to it,

and in each case which has breached any of its obligations under the Senior Finance Documents (including not responding to any request for a consent that is required from it within any applicable timeframe) for a period of at least 20 Business Days after being informed in writing by the Obligor's Agent of such breach.

"Designated Trustees" means RBS and NatWest as designated trustees under the Declaration of Trust Deed.

"Disclosure Letter" means the disclosure letter dated 21 December 2011 from the Asset Sellers to the Borrower and acknowledged by the Borrower.

"Discretionary Permitted Payments" means:

- (a) the payment of discretionary property protection costs;
- (b) each of the following:
 - (i) the incurring of Improvement Capital Expenditure in relation to an Asset;
 - (ii) subject to certain limits as detailed in the Management Agreement, the incurring of Improvement Capital Expenditure and any payments ("**Co-Lender Amounts**") required to be made in order to acquire loans or debt securities, or participations or interest therein, borrowed by an Asset Level Obligor (or its affiliate)

provided that the aggregate of (i) and (ii):

- (A) when aggregated with all Improvement Capital Expenditure incurred and Co-Lender Amounts paid in relation to the Assets (including the Asset which is the subject of the proposed incurrence of Improvement Capital Expenditure and/or payment of Co-Lender Amounts) shall not exceed 20 per cent. of the aggregate recovery values (as specified in the relevant Business Plan) in respect of all the Assets as at the date on which the relevant payment is required to be made; and
 - (B) in relation to the Asset which is subject of the proposed incurrence of Improvement Capital Expenditure (or if such Improvement Capital Expenditure is to be made with respect to an REO Property, the Asset related to such REO Property) and/or payment of Co-Lender Amounts, shall not exceed 30 per cent. of the recovery value (as specified in the relevant Business Plan) in respect of such Asset as at the date on which the relevant payment is required to be made;
- (c) the payment of sums required in order to cure a Loan Event of Default or a Note Event of Default;
 - (d) in relation to an REO Property, any payment required to be made in respect of tenant improvements and leasing commissions;
 - (e) the payment of sums by the Borrower, in its capacity as Asset Level Lender, required in order to make a cure payment under a loan intercreditor agreement (an "**Intercreditor Cure Payment**"); and
 - (f) any WorkoutCo/Borrower Intercompany Loan made by the Borrower to any WorkoutCo to:
 - (i) fund any of the Discretionary Permitted Payments referred to in (a),(b)(i) or (d) above; or
 - (ii) fund the purchase by a WorkoutCo of any Asset from the Borrower; and
 - (g) the payment by any WorkoutCo of any amount due to the Borrower in respect of any WorkoutCo/Borrower Intercompany Loan and/or any fees, costs and expenses (including any Taxes payable) incurred by the Borrower and/or any WorkoutCo in connection with transferring, acquiring or ownership of, as applicable, an Asset or a REO Property.

"Disposal" means:

- (a) with respect to the Borrower or any Asset WorkoutCo:
 - (i) any disposal (including a disposal of the ownership interests in the Borrower or that Asset WorkoutCo) of all or any portion of the Borrower's or that Asset WorkoutCo's interest in any Asset, any New Asset or any WorkoutCo/Borrower Intercompany Loan; or
 - (ii) any cancellation, repayment or prepayment whether voluntary (including the express acceptance by the Borrower or that Asset WorkoutCo of a partial payment from an Asset Level Obligor or New Asset Level Obligor of any of that Asset Level Obligor's liabilities or New Asset Level Obligor's liabilities evidenced by its Asset Level Finance Documents or New Asset Level Finance Documents in full and final discharge of such liabilities (i.e. a discounted pay-off)) or involuntary (including pursuant to any Asset Level Enforcement Action), of the Borrower's or that Asset WorkoutCo's interest in all or any portion of any Asset, any New Asset or any WorkoutCo/Borrower Intercompany Loan,

including:

- (A) the Re-Transfer of a Re-Transfer Asset pursuant to the terms of the Loan Sale Agreement; and
 - (B) the release of any Asset Level Security or New Asset Level Security over an Asset Level Obligor's or New Asset Level Obligor's interest in all or any portion of any Asset Level Property by or on behalf of any Borrower or Asset WorkoutCo in exchange for the payment of Realisation Proceeds to the Borrower or the Asset WorkoutCo which are derived from the disposal proceeds of such Asset Level Property; and
- (b) with respect to any REO Property WorkoutCo, any disposal (including a disposal of the ownership interests in that REO Property WorkoutCo) of that REO Property WorkoutCo's interest in all or any part of any REO Property owned by that REO Property WorkoutCo.

"Disposal in Full" means a Disposal of any Asset, any New Asset, any REO Property or any WorkoutCo/Borrower Intercompany Loan if, following such Disposal:

- (a) in the case of an Asset or a New Asset, the Borrower or the relevant Asset WorkoutCo (as applicable) will no longer hold any interest in such Asset or New Asset, other than, following the occurrence of a Credit Bid Restructuring Event, any Asset Residual Value which may remain;
- (b) in the case of an REO Property, the relevant REO Property WorkoutCo will no longer hold any interest in that REO Property and that REO Property was the only Asset Level Property that secured the related Asset on the first Utilisation Date; or
- (c) in the case of a WorkoutCo/Borrower Intercompany Loan, the Borrower will no longer hold any interest in such WorkoutCo/Borrower Intercompany Loan and, in the case of a WorkoutCo/Borrower Intercompany Loan that has been made to an REO Property WorkoutCo, such WorkoutCo/Borrower Intercompany Loan was secured by or relates to an REO Property that was the only Asset Level Property that secured the related Asset on the Utilisation Date.

"Disposal in Part" means any Disposal which is not a Disposal in Full, including:

- (a) the Disposal of an REO Property that was not the only Asset Level Property that secured the related Asset on the Utilisation Date; and
- (b) the Disposal of any WorkoutCo/Borrower Intercompany Loan if such WorkoutCo/Borrower Intercompany Loan is secured by or relates to an REO Property that was not the only Asset Level Property that secured the related Asset on the Utilisation Date.

"DoC Company" each of HoldCo, Mezzanine Borrower HoldCo, Intermediate HoldCo, the Borrower, Loan Capital Limited, EquityCo, RBS, Natwest and any other company which accedes to the Asset Manager Duty of Care Agreement as an additional company.

"Echo Asset" means the Echo Property Loan together with certain Ancillary Rights relating to it.

"Emergency Funding Protocol" means the transfer of funds from the Cash Reserve Account to the Permitted Payments Account as envisaged by the Management Agreement.

"Encumbrance" means any:

- (a) mortgage, pledge, lien, charge, hypothecation, security interest or other encumbrance, security agreement or security arrangement of any kind;
- (b) purchase or option agreement or arrangement;
- (c) subordination agreement or arrangement; or
- (d) agreements to create or effect any of the foregoing.

"Excess AES Payment" means an amount equal to any amounts paid to, or received by, the Borrower or an Asset WorkoutCo, as applicable, which (i) is not an amount, or is in excess of an amount, that the Borrower or such Asset WorkoutCo is entitled to retain and (ii) it is obliged to pay to an Asset Existing Swap Provider as an Asset Existing Swap Payment, in each case, pursuant to the relevant Asset Existing Swaps Protocol Agreement.

"Framework Agreement" means the project Isobel framework agreement dated 1 July 2011 between RBS, Blackstone Isobel Acquisitions L.L.C. and Blackstone Real Estate Special Situations Advisors LLC.

"General Income" means all Income listed in paragraphs (a)-(d) (inclusive) of the definition of **"Income"**.

"General Permitted Payments" means:

- (a) the payment of Third Party Costs, to the extent that the appointment of the Professional Advisor to whom such Third Party Costs are payable meets the requirements of the Management Agreement;
- (b) the payment of fund administration costs;
- (c) the payment of General Property Protection Costs;
- (d) the payment of the management fee (including any unpaid fee and interest thereon);
- (e) the payment or reimbursement of overhead costs;
- (f) the payment of any sums that the Asset Manager is required to make in relation to any Legal Proceedings Claim, **provided that** the Asset Manager has complied with the provisions of the Management Agreement;
- (g) any WorkoutCo/Borrower Intercompany Loan made by the Borrower to any WorkoutCo to fund (i) any of the General Permitted Payments listed in paragraphs (a) or (c) and/or (ii) any fees, costs and expenses (including any Taxes payable) incurred by Borrower and/or any WorkoutCo in connection with transferring, acquiring or ownership of, as applicable, an Asset or a REO Property;
- (h) the reimbursement or payment of any costs, expenses, damages, losses, penalties and/or fines that relate to certain Compensation Payments;
- (i) the payment of any sums that any Isobel Group Company is obliged to make to the Asset Manager pursuant to the indemnity in the Management Agreement;

- (j) the payment to any Asset Seller of any amounts due from any Isobel Group Company pursuant to an agreement entered into in connection with the re-transfer of an Asset to an Asset Seller;
- (k) the payment of any costs that the Borrower is required to pay in order to ensure compliance with the hedging arrangement provisions of the Senior Facility Agreement; and
- (l) the payment by the Borrower of any amount due in respect of any loan made under the WorkoutCo/Borrower Intercompany Loan Facility in accordance with the terms of the Senior Facility Agreement made available to the Borrower and/or any fees, costs and expenses incurred by the Borrower in connection thereto.

"General Property Protection Costs" means insurance, ground rent, taxes and other costs that the Asset Manager determines are required to be spent in order to protect and preserve and Isobel Group Company's interest in any Asset Level Property or REO Property, but in the case of any Asset Level Property, only to the extent that the relevant Asset Level Obligor is obliged to but has failed to pay the same (but excluding, for the avoidance of doubt, Improvement Capital Expenditure).

"General Realisation Proceeds" means all Realisation Proceeds listed in paragraph (a) of the definition of **"Realisation Proceeds"**.

"Heathrow/V&A Asset" means the Heathrow/V&A Property Loan together with certain Ancillary Rights relating to it.

"Holding Company" means, in relation to a person, any other person in respect of which it is a Subsidiary.

"Improvement Capital Expenditure" means capital expenditure that the Asset Manager determines is required to be spent on a particular Asset Level Property or REO Property in order to increase the value of such Asset Level Property or REO Property in a manner consistent with the Group strategy.

"Income" means all amounts received by the Borrower, any Asset WorkoutCo or, in the case of any Originator Trust Asset, the relevant Designated Trustee, including (as applicable) but not limited to:

- (a) interest receipts received from the Assets or any New Assets;
- (b) exit fees payable on the partial or full realisation of any Asset or any New Asset;
- (c) scheduled principal amortisation received from the Assets or any New Assets and any other payments received pursuant to any full cash sweep of income arrangement under the Assets or any New Assets;
- (d) interest receipts received by the Borrower from any WorkoutCo pursuant to any WorkoutCo/Borrower Intercompany Loan and paid into the Income Account as set out in paragraph (d) of "*Security Trust and Intercreditor Deed – WorkoutCo Income Accounts*";
- (e) principal amortisation received by the Borrower from any WorkoutCo under any WorkoutCo/Borrower Intercompany Loan and paid into the Income Account as set out in paragraphs (d) and (e) of "*Security Trust and Intercreditor Deed – WorkoutCo Income Accounts*";
- (f) in the case of the Borrower, any payments made into the Income Account as set out in paragraph (f) of "*Security Trust and Intercreditor Deed – WorkoutCo Income Accounts*"; and

in each case which are not Realisation Proceeds and which are not loans utilised by the Obligors under the terms of any Affiliated Mezzanine Finance Documents or Intercompany Mezzanine Finance Documents.

"Insolvency Event of Default" means the events of default set out in paragraphs (f), (g) and (h) of "*Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Loan Events of Default*".

"Intercompany Mezzanine Finance Documents" means each and all of the agreement, documents and instruments evidencing any Intercompany Mezzanine Debt between Mezzanine Borrower HoldCo, as

lender, and the Borrower, as borrower, pursuant to which the proceeds of any Third Party Mezzanine Debt are lent by Mezzanine Borrower HoldCo to the Borrower, and all security and other finance documents ancillary to such intercompany loan.

"Investor Return Amount" means an amount equal to £277,000,000.

"Irish Asset Contracts" means each Asset Level Finance Document and each Asset Level Mortgage Security Document which is governed by the laws of Ireland or subject to the jurisdiction of the Irish courts and any other agreements, contracts, deeds, leases, licences, undertakings, guarantees, covenants, warranties, representations and other documents entered into by, given to or otherwise benefiting the Borrower in respect of the Borrower Secured Property which is subject to security under the Borrower Irish Debenture, in each case, which is governed by the laws of Ireland or subject to the jurisdiction of the Irish courts.

"Isobel Group" means HoldCo and each of its subsidiary undertakings from time to time.

"Isobel Group Company" means a company in the Isobel Group.

"Isobel Share" means, with respect to any Property Loan (or any portion thereof) the proportion of such Property Loan (or portion thereof) which is owned by the Borrower or a WorkoutCo.

"Jersey Collateral" means in respect of each chargor all right, title, interest and benefit present and future of that chargor in, to and under (a) all Asset Level Security Documents that comprise Jersey law security interest agreement, (b) all Asset Level Mortgage Security Documents which are Jersey law hypothecs and (c) all Asset Level Loan Agreement or other Asset Level Finance Documents under which the debtor or other obligor is a Jersey entity, together with such other assets as comprise intangible moveable property which is from time to time situate or deemed to be situate in Jersey under the conflicts of laws rules applied by the Jersey courts and (for the avoidance of doubt) the Jersey Collateral shall form part of the assets charged as set out in the section "*Senior Facility Agreement and Borrower Transaction Security – Borrower Debenture*".

"Junior Agent" means the agent under the Junior Finance Documents.

"Junior Cash Administrator" means the cash administrator under the Junior Debt Securitisation.

"Junior Debt" means any debt outstanding pursuant to the Junior Facility Agreement or the Junior Debt Instruments.

"Junior Debt and ODC Deed of Assignment" means any "**Security Assignment Deed**" entered into pursuant to the terms of the Junior Debt and ODC Security Side Deed.

"Junior Debt and ODC Security Side Deed" means the side deed in relation to the provision of Security over the Junior Finance Documents and Ordinary Deferred Consideration dated 12 January 2012 between, amongst others, RBS (in various capacities), NatWest, the Senior Agent and the Borrower Security Trustee.

"Junior Debt Instruments" means debt instruments issued in order to effect a Junior Debt Securitisation.

"Junior Debt Securitisation" means a securitisation of the whole of the Junior Debt outstanding.

"Junior Facility Agreement" means the up to £327,972,864 facility agreement dated 21 December 2011 originally between, amongst others, RBS as agent, arranger and security trustee, the original lenders identified therein and the Borrower as amended on or about 27 September 2012.

"Junior Finance Document" means the finance documents entered into in connection with the Junior Facility Agreement.

"Junior Intercreditor Party" means each Affiliated Mezzanine Finance Party, Junior Finance Party, Asset Existing Swap Provider, Core Representations Breach Seller, DC Beneficiary, Relevant Swap Provider and Subordinated Creditor.

"Junior Issuer" means any person or entity acting as the "issuer" in connection with a Junior Securitisation.

"Junior Issuer Deed of Charge" means any deed of charge to be entered into by a Junior Issuer in favour of any Junior Note Trustee from time to time in connection with a Junior Securitisation;

"Junior Issuer Note Trustee Costs" means where a Junior Loan is funded through the Junior Issuer any costs, fees, expenses and indemnities payable by the Junior Issuer to the note trustee (and any receiver or delegate appointed by the note trustee) providing services to the Junior Issuer.

"Junior Issuer Note Trustee Fee" means any fee payable to the Junior Issuer in relation to Junior Issuer Note Trustee Costs pursuant to the Junior Facility Agreement.

"Junior Issuer Other Costs" means where a Junior Loan is funded through the Junior Issuer:

- (a) any costs, fees and expenses payable by the Junior Issuer to the servicer, the special servicer, the corporate services provider, the corporate officer provider, any rating agency, the listing agent, auditors, accountants, legal advisers and tax advisers providing services to the Junior Issuer;
- (b) any costs, fees, expenses and indemnities payable by the Junior Issuer to the issuer account bank, the cash administrator and the paying agent providing services to the Junior Issuer, and provided, however, that no such indemnities shall be payable to RBS and/or any affiliate of it in any of the foregoing capacities;
- (c) any due and unpaid amount specified as "retained profit" in accordance with the SC Regs for the Junior Issuer; and
- (d) any other operational costs of the Junior Issue or any other costs, fees and expenses payable by the Junior Issuer to any other third parties providing services to the Junior Issuer, in an aggregate amount no greater than £10,000 per annum.

"Junior Issuer Other Costs Fee" means any fee payable to the Junior Issuer in relation to Junior Issuer Other Costs pursuant to the Junior Facility Agreement.

"Junior Lender" means RBS, Isobel Holding S.à r.l. and any other person who becomes a holder of the Junior Debt after the date of the Junior Facility Agreement.

"Junior Loan" means the loan outstanding from time to time under the Junior Loan Facility.

"Junior Loan Facility" means the junior facility Sterling term loan made in accordance with the Junior Facility Agreement or the Principal Amount Outstanding for the time being of such a loan;

"Junior Note Trustee" means any note trustee from time to time in relation to a Junior Securitisation;

"Junior Obligors" means the Obligors as defined in the Junior Facility Agreement.

"Junior Securitisation" means a transaction or series of transactions which, directly or indirectly, involves:

- (a) a securitisation of the whole or any part of the Junior Loan by way of an issue of listed and/or rated debt securities; or
- (b) a refinancing of the whole or any part of the Junior Loan by way of an issue of listed and/or rated debt securities,

or which has a broadly equivalent economic effect.

"Kingswood Asset" means the Kingswood Property Loan together with certain Ancillary Rights relating to it.

"Lead Manager" means RBS;

"Legal Reservations" means equitable remedies which are at the discretion of a court, limitations on enforcement relating to bankruptcy and insolvency and other laws generally affecting the rights of creditors, the ability of the courts to re-characterise fixed charges as floating charges and legal charges as equitable charges, the time-barring of claims, defences of set-off and counterclaim, the registration of security documents and the possibility that an undertaking to assume liability or indemnify a person against non-payment of stamp duty may be void.

"Lender" means:

- (a) any Original Lender (as defined in the Senior Facility Agreement); and
- (b) any Permitted Transferee which has become a party to the Senior Facility Agreement as a Lender in accordance with the Senior Facility Agreement,

which, in each case, has not ceased to be a party to the Senior Facility Agreement in accordance with the terms of the Senior Facility Agreement.

"LoC/Bank Guarantee Provider" means:

- (a) any bank or financial institution which has a Borrower Requisite Rating; or
- (b) any other entity acceptable to the Senior Agent (acting on the instructions of the Senior Majority Lenders).

"Mapeley Asset" means the Mapeley Property Loan together with certain Ancillary Rights relating to it.

"Market (Pimlico) Asset" means the Market (Pimlico) Property Loan together with certain Ancillary Rights relating to it.

"Marlow Asset" means the Marlow Property Loan together with certain Ancillary Rights relating to it.

"Material Adverse Effect" means any present or future event or circumstance which would be reasonably likely to have a material adverse effect on:

- (a) the ability of any Obligor to perform and comply with its payment obligations under the Senior Finance Documents as they become due; or
- (b) the validity or enforceability of the Senior Finance Documents; or
- (c) the rights or remedies of any Senior Finance Party under the Senior Finance Documents; or
- (d) the validity or enforceability of the Management Agreement or the rights or remedies of the Borrower under the Management Agreement.

"Material Asset Level Loan" means each of the loans identified in the Management Agreement as a material asset and, following the occurrence (if ever) of a Credit Bid Restructuring Event in relation to an Asset identified in the Management Agreement as a material asset, the New Asset relating to such Asset.

"Material Asset Level Obligor" means each Asset Level Obligor or New Asset Level Obligor which is party to a Material Asset Level Loan.

"Material Event of Default" means any Loan Event of Default arising under paragraphs (a), (f), (g), (h), (l), (m), (p) or (q) of *"Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Loan Events of Default"*.

"Meeting" means a meeting of Noteholders of any Class or Classes (whether originally convened or resumed following an adjournment).

"Mezzanine Debt Issuance" means a Discretionary Permitted Payment or, as the case may be, a General Permitted Payment funded in whole or part by the issuance of Mezzanine Debt as soon as practicable after the Asset Manager determines this in accordance with clause 3.3.2 of the Management Agreement.

"**Mezzanine Funding Agreement**" means the mezzanine funding agreement dated 21 December 2011 between the Borrower, the Asset Manager, the Junior Lenders and the ODC Beneficiaries.

"**Mezzanine Funding Protocol**" means the protocol set forth in the Mezzanine Funding Agreement as summarised in "*Mezzanine Funding – Mezzanine Funding Protocol*" above.

"**Moody's**" means Moody's Investors Service Limited and includes any successor to its rating business.

"**Multi-Southgate Asset**" means the Multi-Southgate Property Loan together with certain Ancillary Rights relating to it.

"**Net Consent and Restructuring Fees**" means any Consent and Restructuring Fees less third party costs and expenses which are reasonably and properly incurred by or on behalf of any Obligor in recovering such Consent and Restructuring Fees (including any such costs and expenses which the Asset Manager is entitled to claim a reimbursement for under the terms of the Management Agreement) ("**Consent and Restructuring Fees Costs**").

"**Net Realisation Proceeds**" means with respect to any Disposal, the amount of General Realisation Proceeds paid to the applicable Obligor with respect to such Disposal, plus, if applicable, any realisation proceeds top-up amount with respect to such Disposal less:

- (a) third party realisation costs and expenses which are reasonably and properly incurred by or on behalf of any Obligor in recovering such General Realisation Proceeds (including any such costs and expenses which the Asset Manager is entitled to claim a reimbursement for under the terms of the Management Agreement) ("**Realisation Costs**"); and
- (b) any LIBOR breakage costs incurred on the realisation of any Asset or any New Asset pursuant to the terms of any Asset Level Finance Document or New Asset Level Finance Document.

"**Net Report Claim**" means the proceeds of any Report Claim less third party costs and expenses which are reasonably and properly incurred by or on behalf of any Obligor in recovering such Report Claim (including any such costs and expenses which the Asset Manager is entitled to claim a reimbursement for under the terms of the Management Agreement) ("**Report Claim Costs**").

"**Net Warranty Claim**" means the proceeds of any Warranty Claim less third party costs and expenses which are reasonably and properly incurred by or on behalf of any Obligor in recovering such Warranty Claim (including any such costs and expenses which the Asset Manager is entitled to claim a reimbursement for under the terms of the Management Agreement) ("**Warranty Costs**").

"**New Asset**" means each New Property Loan and related Ancillary Rights, as may be amended, varied, limited, supplemented, restated and/or replaced from time to time;

"**New Asset Level Loan Agreement**" means, in respect of any New Asset, each credit agreement entered into between a New Asset Level Obligor and *inter alia* the relevant Asset Level Lender which creates or evidences such New Asset.

"**New Asset Level Mortgage Security Document**" means each mortgage granted over an Asset Level Property in favour of (directly or indirectly) the relevant Asset Level Lender (or a security trustee for the relevant Asset Level Lender) which secures amounts due to such relevant Asset Level Lender under the relevant New Asset Level Loan Agreement

"**New Asset Level Secured Obligations**" means any secured obligations under any New Asset Level Finance Documents.

"**New Asset Level Security Document**" means each document entered into by a New Asset Level Obligor (or other person) under which New Asset Level Security has been granted in favour of (directly or indirectly) the relevant Asset Level Lender (or a security trustee for the relevant Asset Level Lender) which secures amounts due to such relevant Asset Level Lender under the relevant New Asset Level Finance Documents.

"**Obligor**" means the Borrower and each Guarantor.

"Obligors' Agent" means the Borrower appointed to act on behalf of each Obligor in relation to the Senior Finance Documents pursuant to the Senior Facility Agreement.

"Ordinary Deferred Consideration" means the amounts payable to the ODC Beneficiaries under the Residual Amount Distribution Agreement.

"Original ADA Release Price" means (i) in respect of each Connection, the "ADA Release Price" specified in Schedule 10 (*Allocated Debt Amounts and Release Prices*) to the Senior Facility Agreement, and (ii) in respect of each New Asset, from an after the occurrence of the applicable Credit Bid Restructuring Event, the "ADA Release Price" specified in Schedule 10 (*Allocated Debt Amounts and Release Prices*) to the Senior Facility Agreement with respect to the Connection to which such New Asset relates and which was the subject of such Credit Bid Restructuring Event;

"Originator Trust Asset" means each Asset which at the relevant time, is subject to the Declaration of Trust Deed.

"Originator Trust Bilateral Loans" means each Originator Trust Asset designated as an Originator Trust Bilateral Loan in "*Borrower Asset Sale Documents – Declaration of Trust Deed – Scope of Trusts*".

"Originator Trust Bilateral Security Asset" means all rights under the Asset Level Security Documents granted in respect of Originator Trust Bilateral Loans (including, without limitation, all Originator Trust Bilateral Security Receipts in respect thereof).

"Originator Trust Bilateral Security Receipts" means any and all proceeds arising from an enforcement action arising in respect of any Originator Trust Bilateral Security Asset (whether in the form of cash or otherwise) received from a Designated Trustee from time to time.

"Over-amortisation Amount" means the sum of:

$$A - B$$

where:

A= the aggregate of the Reduced ADA Amounts; and

B = the principal amount outstanding of the Senior Loan;

"Partial Loan Enforcement Event" means any of the following events or circumstances:

- (c) the appointment of one or more persons to be a Receiver of the whole or substantially the whole of the Borrower Secured Property relating to a single Asset or New Asset;
- (d) the appointment of one or more persons to be an administrator of a WorkoutCo in a circumstance where no administrator has been appointed with respect to the Borrower;
- (e) the exercise of any right of appropriation over the whole or substantially the whole of the Borrower Secured Property relating to a single Asset or New Asset;
- (f) the appointment of one or more persons to be a Receiver over all of the shares of a WorkoutCo in a circumstance where no Receiver has been appointed with respect to the shares of Intermediate HoldCo or the Borrower;
- (g) the exercise of any right of appropriation over all the shares of a WorkoutCo in a circumstance where there has been no exercise of any right of appropriation over the shares of Intermediate HoldCo or the Borrower; or
- (h) the appointment of one or more persons to be a Receiver over an REO Property (as defined in the Senior Facility Agreement) or Asset Level Property,

in each case by any of the Senior Finance Parties pursuant to the terms of the Borrower Security;

"Performance Test Breach" means either or both of:

- (a) the breach of a Level 1 Repayment Target which has not been cured; and/or
- (b) if the Interest Cover Ratio has fallen below 1.25x for any Test Period.

"Permitted Financial Indebtedness" means financial indebtedness:

- (a) outstanding under or expressly allowed by the Senior Finance Documents;
- (b) outstanding under the Junior Finance Documents **provided that** each creditor thereunder has entered into or acceded to the Security Trust and Intercreditor Deed;
- (c) outstanding under any Affiliated Mezzanine Finance Documents and/or Intercompany Mezzanine Finance Documents **provided that** each creditor thereunder has entered into or acceded to the Security Trust and Intercreditor Deed;
- (d) outstanding to any subordinated creditor that has entered into or acceded to the Security Trust and Intercreditor Deed, including any WorkoutCo/Borrower Intercompany Loan or any intercompany loan that arises pursuant to provisions of the Senior Facility Agreement);
- (e) that is a Permitted Payment that may be incurred by or on behalf of an Obligor pursuant to the terms of the Management Agreement;
- (f) that may be incurred on an unsecured basis by the Borrower in an aggregate amount not exceeding £250,000 outstanding at any time and having a maturity of a maximum of one hundred and twenty (120) Business Days; and/or
- (g) any other financial indebtedness approved by the Senior Agent.

"Permitted Payment" means any General Permitted Payment and any Discretionary Permitted Payment

"Permitted Payments Cap" means, as of each relevant date:

- (a) in relation to payments to be made pursuant to paragraph (d) "*Security Trust and Intercreditor Agreement – Income Account – Pre-Material Event of Default*" an amount equal to 0.085 per cent. of the aggregate principal amount outstanding under the Assets and any New Assets on the immediately preceding Loan Payment Date; or
- (b) in relation to payments to be made pursuant to paragraph (e) "*Security Trust and Intercreditor Agreement – Income Account – Post-Material Event of Default*", an amount equal to 0.15 per cent. of the aggregate principal amount outstanding under the Assets and any New Assets on the immediately preceding Loan Payment Date,

in each case less any amount of General Permitted Payments which have been or will be funded by way of withdrawals from any WorkoutCo Income Account, pursuant to paragraph (c) of "*Security Trust and Intercreditor Agreement – WorkoutCo Income Accounts*" during the period starting on and including the immediately preceding Loan Payment Date on but ending and excluding the current Loan Payment Date.

"Permitted Transferee" means (a) any bank or financial institution or any trust, fund or other person (including any Affiliate that is controlled by such trust, fund or other person) which trust, fund or other person is regularly engaged in the making, purchasing or investing in any loan, securities or other financial assets, or (b) any Issuer, **provided, however, that** no Obligor or Affiliate of any Obligor shall be a Permitted Transferee, but **provided further, however, that** any Blackstone Affiliate can be a Permitted Transferee, subject to the disenfranchisement provisions set out in the section entitled "*Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Disenfranchisement of Blackstone*".

"Pimlico Asset" means the Pimlico Property Loan together with certain Ancillary Rights relating to it.

"PPH1 Asset" means the PPH1 Property Loan together with certain Ancillary Rights relating to it.

"Primepanel Asset" means the Primepanel Property Loan together with certain Ancillary Rights relating to it.

"Primepanel Interest Payment Date" means 7 January, 7 April, 7 July and 7 October in each year (or, if not a Business Day, on the Business Day falling immediately thereafter in the same month or, if none, it shall end on the immediately preceding Business Day).

"Primepanel Swap" means the interest rate hedging arrangements that relate to the Primepanel Asset as at the Utilisation Date.

"Primepanel Swap Payment" means any amount payable to a Primepanel Swap Provider from time to time pursuant to the terms of the Primepanel Swap prior to the Primepanel Asset ceasing to be an Originator Trust Asset.

"Primepanel Swap Provider" means each counterparty to the Primepanel Swap.

"Principal Deficiency Ledger" means the ledger designated as such and maintained by the Cash Administrator under the terms of the Cash Administration Agreement.

"Realisation Costs" has the meaning given to such term in the definition of **"Net Realisation Proceeds"**.

"Realisation Proceeds" means:

- (a) all sums received by the Borrower, any Asset WorkoutCo or, in the case of any Originator Trust Asset, the relevant Designated Trustee:
 - (i) from any Disposal in Full or any Disposal in Part; or
 - (ii) by way of mandatory or voluntary prepayment or repayment under the Asset Level Finance Documents (including any compulsory purchase proceeds in relation to any of the Asset Level Properties that are required under the terms of the Asset Level Finance Documents or New Asset Level Finance Documents to be used to prepay any of the Asset Level Secured Obligations or New Asset Level Secured Obligations, but excluding (A) any sums received under any other paragraph of this definition and (B) any scheduled principal amortisation received from the Assets and any other payments received pursuant to any full cash sweep of income arrangement under the Assets or any New Assets);
 - (iii) in the case of the Borrower, by way of mandatory or voluntary prepayment or repayment under any WorkoutCo/Borrower Intercompany Loan pursuant to the provisions of the Senior Facility Agreement; or
 - (iv) in relation to amounts realised as a consequence of any Asset Level Enforcement Action;
- (b) the amount of any voluntary prepayment (see "*Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Prepayment and Cancellation – Voluntary prepayment*");
- (c) the amount of any mandatory prepayment (see "*Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Prepayment and Cancellation – Change of Manager and Prepayment and Cancellation – Change of control*");
- (d) the proceeds of any Net Report Claim received by any Obligor (see "*Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Prepayment and Cancellation – Net Report Claims*");
- (e) the amount of any Net Consent and Restructuring Fees received by any Obligor (see "*Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Prepayment and Cancellation – Net Consent and Restructuring Fees*");
- (f) the proceeds of any Net Warranty Claim received by any Obligor (see "*Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Prepayment and Cancellation – Net Warranty Claim*");

- (g) the amount of any Repayment Shortfall Prepayment (see "*Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Prepayment and Cancellation – Repayment Shortfall Prepayments and ICR Payments*");
- (h) the amount of any ICR prepayment (see "*Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Prepayment and Cancellation – Repayment Shortfall Prepayments and ICR Payments*");
- (i) the amount of any Level 2 Repayment Target Prepayment (see "*Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Prepayment and Cancellation – Level 2 Repayment Target Prepayments*");
- (j) the amount of any REO Property Net Insurance Proceeds (other than in respect of third party or public liability or loss of rent) or Asset Level Net Insurance Proceeds (see "*Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Prepayment and Cancellation – Insurance proceeds*");
- (k) the amount of any Core Representation Prepayment Amount and/or any amount of the Senior Loan repaid pursuant to the Core Representation Prepayment Cash Sweep (see "*Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Prepayment and Cancellation – Core Representations*"); and
- (l) the amount of certain Compensation Payments (see "*Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Prepayment and Cancellation – Compensation Payments*").

"Reduced ADA Amount" means in relation to a Connection, (A) the Allocated Debt Amount for such Connection minus (B) the difference between (i) the Original ADA Release Price for such Connection and (ii) the then current ADA Release Price for such Connection, provided that a negative result obtained by subtracting (B) from (A) shall be taken as zero;

"Reconciliation Amounts" means any amount due from the Borrower to any of the Asset Sellers or from any of the Asset Sellers to the Borrower following the Fund Closing Date as a reconciliation of the purchase price payable under the Asset Loan Sale Agreement.

"Related Rights" means, in relation to any asset:

- (a) the proceeds of sale of any part of that asset;
- (b) all rights under any lease, licence, agreement for sale or agreement for lease in respect of that asset;
- (c) all rights, powers, benefits, claims, causes of action, contracts, warranties, remedies, security, guarantees, indemnities or covenants for title in respect of that asset; and
- (d) any moneys and proceeds paid or payable in respect of that asset.

"Relevant Shareholder Lender" means any Lender whom the Senior Agent has been notified is disenfranchised pursuant to an agreement between the Shareholders

"Relevant Swap Provider" means each of RBS and NatWest in their capacity as **"Relevant Swap Provider"** under the Compensation Deed.

"REO Property" means any Asset Level Property acquired by an REO Property WorkoutCo in accordance with the terms of the Senior Facility Agreement.

"REO Property Disposal Costs" has the meaning given to such term in the definition of **"REO Property Net Disposal Proceeds"**.

"REO Property Disposal Proceeds" means all sums paid or payable or any other consideration given or to be given for a disposal of an REO Property by any REO Property WorkoutCo including (without double counting):

- (a) all such sums and other consideration;
- (b) all compensation and damages received for any use or disturbance, blight or compulsory purchase;
- (c) the sum of any deposit paid upon exchange of contracts unless refunded to the purchaser or any other person pursuant to the terms of the applicable purchase agreement or otherwise; and
- (d) any amount in respect of or which represents VAT chargeable in respect of any sum referred to in paragraphs (a) to (c) above.

"REO Property Insurance Policy" means any policy of insurance in which an REO Property WorkoutCo may at any time have an interest entered into in accordance with the provisions of the Senior Facility Agreement.

"REO Property Insurance Proceeds" means the proceeds of any claim under an REO Property Insurance Policy.

"REO Property Insurance Proceeds Costs" has the meaning given to such term in the definition of **"REO Property Net Insurance Proceeds"**.

"REO Property Management Agreement" means any agreement pursuant to which a REO Property WorkoutCo and/or the manager appoints a property manager in respect of such REO Property WorkoutCo's REO Property.

"REO Property Manager" means each property manager appointed by a REO Property WorkoutCo and/or the Manager pursuant to a REO Property Management Agreement.

"REO Property Net Disposal Proceeds" means, upon a disposal of an REO Property by any REO Property WorkoutCo, the REO Property Disposal Proceeds derived from that disposal less:

- (a) third party costs and expenses which are reasonably and properly incurred by or on behalf of the relevant REO Property WorkoutCo in connection with that disposal (including any such costs and expenses which the Asset Manager is entitled to claim a reimbursement for under the terms of the Management Agreement) (**"REO Property Disposal Costs"**); and
- (b) any sum representing VAT chargeable in respect of such REO Property Disposal Proceeds.

"REO Property Net Insurance Proceeds" means any REO Property Insurance Proceeds less third party costs and expenses which are reasonably and properly incurred by or on behalf of any REO Property WorkoutCo in recovering such REO Property Insurance Proceeds (including any such costs and expenses which the Asset Manager is entitled to claim a reimbursement for under the terms of the Management Agreement) (**"REO Property Insurance Proceeds Costs"**).

"Repayable Compensation Payments" means the whole or any part of certain Compensation Payments that become repayable by the Borrower to the Relevant Swap Provider(s) pursuant to certain of the provisions of the Compensation Deed.

"Repayment Shortfall Prepayment" means a prepayment of the Senior Loan made under the Senior Loan Facility pursuant to either clause 21.9(e)(i) (*Performance Test Cash Trap Account*) or clause 21.10(b) (*Repayment Shortfall Account*) of the Senior Facility Agreement.

"Report" means any due diligence report or valuation report that any Obligor has the benefit of in connection with an Asset or a New Asset.

"Report Claim" means any claim of or for the benefit of an Obligor arising against the provider of any Report the proceeds of which are received by such Obligor.

"Report Claim Costs" has the meaning given to such term in the definition of **"Net Report Claims"**.

"Reports on Title" means certain reports on title commissioned by the original lenders under the Asset Level Loan Agreement in respect of the Asset Level Properties.

"Residual Amount Distribution Agreement" means the agreement dated 21 December 2011 between RBS, NatWest, the Borrower and the Asset Manager.

"Residual Amount Payment" means any payment due to a DC Beneficiary from the Borrower pursuant to the Asset Loan Sale Agreement and/or the Residual Amount Distribution Agreement (or any related document instrument or certificate representing such amounts).

"SC Regs" means the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296).

"Security" means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

"Senior Debt" means all Senior Secured Obligations payable or owing by an Obligor under or in connection with the Senior Finance Documents.

"Senior Finance Documents" means each of:

- (a) the Senior Facility Agreement;
- (b) the Borrower Security Documents;
- (c) the Security Trust and Intercreditor Deed;
- (d) the Junior Debt and ODC Security Side Deed;
- (e) each duty of care agreement and any accession deed to each duty of care agreement;
- (f) each transfer certificate;
- (g) each assignment agreement;
- (h) each accession deed to the Security Trust and Intercreditor Deed, the Borrower Debenture and the Borrower Irish Debenture;
- (i) each fee letter;
- (j) each Borrower Hedge Document (if any);
- (k) the utilisation request;
- (l) each accession letter; and
- (m) any document designated as such by the Senior Agent and the Obligors' Agent.

"Senior Finance Party" means any party designated as a finance party in accordance with the terms of the Senior Facility Agreement.

"Senior Lender" means The Royal Bank of Scotland plc, or such other entity or entities designated as a **"Lender"** in accordance with the terms of the Senior Facility Agreement;

"Senior Majority Lenders" means:

- (a) if the Senior Loan is not then outstanding, a Senior Lender or Senior Lenders whose commitments aggregate more than 66 $\frac{2}{3}$ per cent. of the total commitments (or, if the total commitments have been reduced to zero, aggregated more than 66 $\frac{2}{3}$ per cent. of the total commitments immediately prior to the reduction); or

- (b) at any other time, a Senior Lender or Senior Lenders whose participations in the outstanding principal amount of the Senior Loan aggregate more than 66⅔ per cent. of the outstanding principal amount of the Senior Loan.

"Senior Secured Obligations" means all present and future obligations and liabilities (whether actual or contingent, whether owed jointly, severally or in any other capacity whatsoever and whether originally incurred by an Obligor or Mezzanine Borrower HoldCo (in its capacity as a chargor under the Mezzanine Borrower HoldCo Shares Charge) or by some other person) of each Obligor or Mezzanine Borrower HoldCo (in its capacity as a chargor under the Mezzanine Borrower HoldCo Shares Charge) to the Senior Finance Parties (or any of them) under each of the Senior Finance Documents.

"Service Charge Expenses" means:

- (a) any sums due to an REO Property WorkoutCo by a tenant or other occupier of an REO Property:
- (i) by way of reimbursement of expenses incurred, or on account of expenses to be incurred, by or on behalf of an REO Property WorkoutCo in relation to the management, maintenance and repair or similar obligation of, or the provision of services in respect of, or the insurance of, the relevant REO Property;
 - (ii) to, or for expenses incurred by or on behalf of, an REO Property WorkoutCo for a breach of covenant where such amount is or is to be applied by that REO Property WorkoutCo in remedying such breach or discharging such expenses;
 - (iii) as a contribution to a sinking fund (not including any amount or part of any amount which represents VAT chargeable in respect of such contribution); or
 - (iv) as a contribution paid to ground rent payable by an REO Property WorkoutCo; and
- (b) any amount in respect of any renting, management, maintenance, insurance, repair or similar expense (including taxes) or in respect of the provision of services relating to any REO Property to the extent that such amount is not recoverable from a tenant.

"Service Charge Proceeds" means any payment to an REO Property WorkoutCo for Service Charge Expenses:

- (a) by a tenant or other occupier of an REO Property; or
- (b) by a guarantor or other surety for such a person; or
- (c) by recourse to any rent deposit, fund, bond or other collateral for the tenant or other occupier's obligations in respect of such sums.

"Shareholders' Agreement" means the shareholders' agreement dated 21 December 2011 between, amongst others, RBS, Isobel Holding S.à r.l. as the Shareholder in respect of HoldCo.

"Shares Charge Event of Default" means a Loan Event of Default, an event of default occurring under the Junior Facility Agreement or any facility agreement entered into with respect to any Mezzanine Debt, a failure of the Borrower to comply with the provisions of the Asset Loan Sale Agreement following a breach of any of the Core Warranties, a failure by an Obligor to make an Asset Existing Swap Payment in accordance with the terms of the Asset Existing Swaps Protocol Agreement, a failure by the Borrower to make a residual amount payment in accordance with the Asset Loan Sale Agreement and the Residual Amount Distributions Agreement or the failure by the Borrower to make a Repayable Compensation Payment in accordance with the provisions of the Compensation Deed.

"Subordinated Creditor" means any subordinated creditor under the Security Trust and Intercreditor Deed.

"Subordinated Debt" means all present and future obligations and liabilities (whether actual or contingent, whether owed jointly, severally or in any other capacity whatsoever and whether originally incurred by the Obligors or by some other person) of each Obligor to the Subordinated Creditors or any of them.

"Subsidiary" means a subsidiary undertaking within the meaning of section 1162 of the Companies Act 2006 which for this purpose shall be treated as providing that a subsidiary undertaking shall include any subsidiary undertaking the shares of which (if any) are subject to Security and where the legal title to the shares so secured are registered in the name of the secured party or its nominee pursuant to such Security.

"Tax Deed" means the tax deed of covenant dated 21 December 2011 and amended and restated on 12 January 2012 and on or prior to the Closing Date entered into between RBS, the Borrower, Isobel Holding S.à r.l. and the members of the Isobel Group.

"Third Party Costs" means all out-of-pocket costs, fees or expenses (for the avoidance of doubt not being overhead costs) reasonably and properly incurred, or that will reasonably and properly be incurred by the Asset Manager (or to the extent a sub-contractor has been appointed pursuant to the Management Agreement to provide the relevant service, the sub-contractor) or a company within the Isobel Group Company in connection with or pursuant to:

- (a) engaging the services of a Professional Advisor as contemplated by the Management Agreement;
- (b) the engagement of Intralinks or any other virtual data room service provider for the purposes of selling an Asset, a New Asset or any assets underlying the Assets or New Assets;
- (c) the entry into the Borrower Transaction Documents, to the extent that the payment of the same is the responsibility of any Isobel Group Company and such payment had not been made on or prior to the Fund Closing Date;
- (d) the entry into the restructuring documents, to the extent that the same is the responsibility of any Isobel Group Company (whether or not the same are actually entered into) and to the extent not paid on or prior to the completion of the restructuring;
- (e) the engagement of JC Rathbone Associates or Chatham Financial in connection with the provision of Isobel Group hedging services;
- (f) payment to CBRELS of any fee payable to it by the Asset Manager pursuant to the management delegation agreement and to the extent that such fee exceeds £400,000 (including VAT) per annum and has not been reimbursed to the Asset Manager; and
- (g) the appointment of CBRELS to replace RBS (or its Affiliates) in its capacity as agent under any Asset Level Finance Document (**provided that**, if the overhead costs attributable to the payment of CBRELS's fees is less than £400,000 (including VAT), the difference between such amounts shall be used to pay amounts under this paragraph (g) and they shall not be included as Third Party Costs until such difference has been fully utilised.

"Third Party Excluded Assets" means:

- (a) in relation to any Core Representation Breach Seller, its interest in any Core Representation Breach Recoveries and any amounts standing to the credit of the Core Representation Asset Account that it is entitled to recover as a Permitted Payment pursuant to the Security Trust and Intercreditor Deed;
- (b) in relation to any Asset Existing Swap Provider, its interest in any Asset Existing Swap Payment and any amounts standing to the credit of the Income Account that it is entitled to recover as a permitted payment pursuant to the Borrower Security Trustee and Intercreditor Deed; and
- (c) in relation to any Relevant Swap Provider, its interest in any Repayable Compensation Payment and any amounts standing to the credit of the Realisation Proceeds Account that it is entitled to recover as a permitted payment pursuant to the Security Trust and Intercreditor Deed.

"Third Party Mezzanine Finance Documents" means any, each and all of the agreement, documents and instruments evidencing any Third Party Mezzanine Debt between a Third Party Mezzanine Lender, as lender, and Mezzanine Borrower HoldCo, as borrower, and all security and other finance documents ancillary to the related Third Party Mezzanine Debt.

"Third Party Mezzanine Finance Parties" means any lender specified in the Third Party Mezzanine Finance Documents.

"Third Party Mezzanine Lender" means any finance party specified in the Third Party Mezzanine Finance Documents.

"Toys "R" Us Asset" means the Toys "R" Us Property Loan together with certain Ancillary Rights relating to it.

"Utilisation Date" means 12 January 2012.

"Warner Asset" means the Warner Property Loan together with certain Ancillary Rights relating to it.

"Warranty Claim" means any claim for a breach of representation or warranty made by the Borrower against any Asset Seller under the terms of the Asset Loan Sale Agreement.

"Warranty Costs" has the meaning given to such term in the definition of **"Net Warranty Claims"**.

"WorkoutCo Protocol" means the protocol described in *"Senior Facility Agreement and Borrower Transaction Security – Senior Facility Agreement – Undertakings – WorkoutCo Protocol"*.

"WorkoutCo/Borrower Intercompany Document" means, with respect to any WorkoutCo/Borrower Intercompany Loan, each WorkoutCo/Borrower Intercompany Loan Agreement and any Security entered in support of such WorkoutCo/Borrower Intercompany Loan and any documents ancillary thereto.

"WorkoutCo/Borrower Intercompany Loan" means any intercompany loan made by the Borrower to any WorkoutCo in accordance with the terms of the WorkoutCo Protocol and the Senior Facility Agreement.

"WorkoutCo/Borrower Intercompany Loan Agreement" means any intercompany loan agreement made between the Borrower and a WorkoutCo in respect of a WorkoutCo/Borrower Intercompany Loan.

"WorkoutCo/Borrower Intercompany Loan Facility" means the term loan facility made available under the Senior Facility Agreement for the purposes of making Asset/REO Property Consideration Loans.

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